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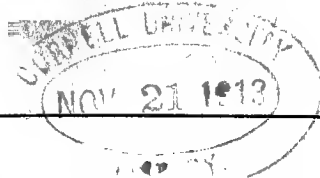
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UNIFORM SYSTEM OF ACCOUNTS
FOR
TELEGRAPH AND CABLE
COMPANIES

(EXCLUSIVE OF WIRELESS TELEGRAPH COMPANIES)

AS PRESCRIBED BY THE
INTERSTATE COMMERCE COMMISSION
IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE

FIRST ISSUE

EFFECTIVE ON JANUARY 1, 1914



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Uniform system of accounts for telegraph



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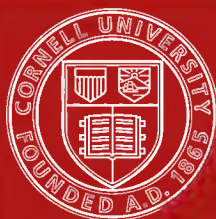
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GEORGE B. MCGINTY, *Secretary.*

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CONTENTS.

	Page.
Order of the Commission.....	5
Introductory letter.....	7
General instructions :	
1. Balance-sheet accounts defined.....	9
2. Cost or book value of securities owned.....	9
3. Reacquired securities.....	9
4. Discount and premium on capital stock.....	10
5. Discount, expense, and premium on funded debt.....	10
6. Contingent assets and liabilities.....	11
7. Plant and equipment defined.....	11
8. Costs to be actual money costs.....	12
9. Interest, debt discount, and debt expense during construction period.....	12
10. Costs of labor, materials, and supplies.....	12
11. Plant and equipment and other property purchased.....	13
12. Plant and equipment withdrawn or retired.....	13
13. Income account defined.....	14
14. Taxes.....	14
15. Profit and loss account defined.....	15
16. Operating revenues defined.....	15
17. Deductions from revenues.....	15
18. Commissions.....	15
19. Repairs defined.....	15
20. Cost of repairs.....	16
21. Depreciation of plant and equipment.....	16
22. Extraordinary casualties and unanticipated reconstruction.....	17
23. Joint operating expenses.....	17
Balance-sheet statement.....	19
Text for accounts in the balance-sheet statement.....	21
Plant and equipment accounts.....	33
Text for plant and equipment accounts.....	35
Income statement.....	43
Text for accounts in the income statement.....	45
Profit and loss account.....	51
Text for profit and loss accounts.....	53
Operating revenue accounts.....	57
Text for operating revenue accounts.....	59
Operating expense accounts.....	63
Text for operating expense accounts.....	65
Text pertaining to clearing accounts.....	72
Index.....	75



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At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 13th day of October, 1913.

The subject of a Uniform System of Accounts to be prescribed for and kept by telegraph companies and cable companies being under consideration, the following order was entered:

It is ordered, That the Uniform System of Accounts for Telegraph and Cable Companies with the text pertaining thereto, embodied in printed form to be hereafter known as First Issue, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the said Uniform System of Accounts for Telegraph and Cable Companies with the text pertaining thereto be, and the same is hereby, prescribed for the use of telegraph companies and cable companies (exclusive of wireless telegraph companies) subject to the provisions of the act to regulate commerce as amended, in the keeping and recording of their accounts; that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all accounts in conformity therewith; and that a copy of the said First Issue be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

It is further ordered, That any such carrier or any receiver or operating trustee of any such carrier may subdivide any primary account in the said First Issue established; or may make assignment of the amount charged to any such primary account to operating divisions, to its individual lines, or to States: *Provided, however*, That such subprimary accounts set up or such assignments made by any such carrier or by any receiver or operating trustee of any such carrier shall not impair the integrity of the accounts hereby prescribed.

It is further ordered, That in order that the basis of comparison with previous years be not destroyed, any such carrier or any receiver or operating trustee of any such carrier may, during the twelve months from the time that the said First Issue becomes effective, keep

and maintain, in addition to the accounts hereby prescribed, such portion or portions of its present accounts as may be deemed desirable by any such carrier, or by any receiver or operating trustee thereof, for the purpose of such comparison; or, during the same period, may maintain such groupings of the primary accounts hereby prescribed as may be desired for that purpose.

It is further ordered, That any such carrier or any receiver or operating trustee of any such carrier, in addition to the accounts hereby prescribed, may, unless otherwise ordered, keep any temporary or experimental accounts the purpose of which is to develop the efficiency of operation: *Provided, however*, That such temporary or experimental accounts shall not impair the integrity of any primary account hereby prescribed.

It is further ordered, That January 1, 1914, be, and is hereby, fixed as the date on which the said First Issue of the Uniform System of Accounts for Telegraph and Cable Companies shall become effective.

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,
Secretary.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, October 13, 1913.

TO TELEGRAPH AND CABLE COMPANIES:

This Uniform System of Accounts for Telegraph and Cable Companies is issued in accordance with an order of the Interstate Commerce Commission, the text of which immediately precedes this letter. The act to regulate commerce, as amended, invests the Commission with authority to prescribe the forms of accounts to be kept by telegraph and cable companies subject to the act, and prohibits the use of any accounts other than those prescribed by the Commission. The observance of the rules and regulations stated in this system of accounts therefore becomes obligatory upon persons having direct charge of the accounts of the companies concerned, and such persons will be held responsible for their proper application.

In formulating this system of accounts it has been the endeavor of the Division of Carriers' Accounts to enlist the cooperation of the various telegraph and cable companies. For that purpose Accounting Series Circular No. 31, containing a tentative system of accounts, was submitted to all such companies of which there was record, and due consideration was given to all criticisms and suggestions received.

Accounting officers are invited to correspond with this office should question arise with regard to the correct interpretation of any account or rule herein prescribed, in order that uniformity may be secured in the application of the provisions of the classifications.

FRED W. SWENEY,
Chief Examiner of Accounts.

GENERAL INSTRUCTIONS.

Telegraph and cable companies shall keep their records in such manner as to show fully the facts connected with matters covered by the accounts provided herein. When impracticable to record full information in the general books the entries therein shall be supported by other records in which the details shall be fully stated, and the entries in the general books shall contain such reference to the detail records as will enable the user to readily identify the detail records and the matters therein recorded. The detail records shall be filed in such a manner as to be readily accessible for examination by representatives of the Interstate Commerce Commission.

1. **Balance-sheet accounts defined.**—By *balance-sheet accounts* are meant those titles under which the ledger accounts are combined and summarized to show the assets, liabilities, and profit and loss of the business at a given time. Where the title and definition of a balance-sheet account clearly indicate that it is a summary of other accounts, it is not required that a special ledger account shall be raised under such a title to include the balances from the accounts usually carried on the ledger.

2. **Cost or book value of securities owned.**—The term *cost or book value*, as applied to accounts representing securities owned, is intended to recognize the option of the company of carrying its investments in securities either at cost or at a reasonable valuation other than cost. Whenever securities are acquired they are to be entered on the books at cost. If, subsequently, the company desires to adjust their value on account of substantial appreciation or depreciation, the entries in its books, with respect to such securities, as well as its annual report to the Commission, should clearly show the reasons for making the adjustments.

3. **Reacquired securities.**—The capital stock and funded debt liability accounts in the balance sheet are intended to include only the par value of such capital stock or funded debt securities as have been actually issued to bona fide holders for value and are outstanding at the date of the balance-sheet statement, and par value of such securities as have been issued by other companies and have been assumed by the accounting company, and are outstanding.

When capital stock or funded debt securities have been actually issued by the company to bona fide holders for value or (after such issue by another company) have been assumed by the accounting company and after such issue or assumption have been reacquired by the company under circumstances which require that they shall not be treated as paid or retired, they may be charged at par value to the appropriate asset account, but on the balance-sheet statement they should be shown separately as a deduction from both the asset and liability accounts in order that the asset accounts for securities owned shall include only securities of other companies and that the liability accounts for securities issued or assumed shall include only those in the hands of the public.

If any such securities are reacquired for more or less than their par value, the difference between the par value and the cost of reacquirement, after adjust-

ing any amounts carried in the discount and premium accounts or other accounts with respect to such securities, should be debited or credited to Profit and Loss Account, unless reacquired for a sinking or other fund which is required to be represented by a reserve, in which case the difference should be debited or credited to the appropriate reserve account.

4. **Discount and premium on capital stock.**—Ledger accounts should be provided to cover the discounts and premiums on each class of capital stock issued or assumed by the company. By *discount* is meant the excess of the par value of stocks issued or assumed over the actual money value of the consideration received for such stock; by *premium* is meant the excess of the actual money value of the consideration received for stock issued or assumed over the par value of such stock. Entries in these accounts representing discounts should be carried therein until offset (1) by premiums realized on subsequent sales of the same class of stock, (2) by assessments levied on the stockholders, (3) by periodical charges to Profit and Loss or (4) by charges to Profit and Loss upon reacquirement of the stock. Entries in these accounts representing premiums realized should be carried permanently, unless offset (1) by discounts suffered on sales of the same class of stock or (2) by credits to Profit and Loss upon reacquirement of the stock.

If the net of the balances in the discount and premium accounts for all classes of capital stock sold or exchanged is a debit balance, the amount should be included in the balance-sheet statement in account No. 125, "Unextinguished discount on capital stock"; if a credit balance, the amount should be shown in account No. 152, "Premiums on capital stock."

In no case should discount on capital stock be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation.

5. **Discount, expense, and premium on funded debt.**—Ledger accounts should be provided to cover the discounts, expense, and premiums on each class of funded debt issued or assumed by the company.

By *discount* is meant the excess of the par value of funded debt securities issued or assumed, and the accrued interest thereon, over the actual cash value of the consideration received for such securities; by *premium* is meant the excess of the actual cash value of the consideration received for funded debt securities issued or assumed over the par value of such securities and the accrued interest thereon.

By *expense* is meant all expenses in connection with the issue and sale of evidences of debt, such as fees for drafting mortgages and trust deeds, fees and taxes for recording mortgages and trust deeds; cost of engraving and printing bonds, certificates of indebtedness, and other commercial paper having a life of more than one year; fees paid trustees when provided for in mortgages and trust deeds; fees and commissions paid underwriters and brokers for marketing such evidences of debt; and other like expenses.

If the net balance in any of these accounts is a debit, there should be charged to income account No. 326, "Amortization of debt discount and expense," during each fiscal period (and credited to the discount and premium accounts in which the discount and expense is carried) such proportion of the discount and expense on the outstanding funded debt obligations as may be applicable to that period. This proportion should be determined according to a rule, the uniform application of which throughout the interval between the date of sale and the date of maturity will extinguish the discount and expense on the funded debt. The charge to Income for any period should not exceed the proportion applicable to that period, and a charge should be made for each period so long

as any portion of the discount and expense remains unextinguished. In order that the discount and expense may be extinguished sooner, the company may, at its option, charge to Profit and Loss all or any portion of the discount and expense on funded debt remaining at any time unextinguished.

If the net balance in any of these accounts is a credit, there should be credited to income account No. 327, "Release of premiums on debt—Cr.," during each fiscal period (and debited to the discount and premium accounts in which the premium is carried) such proportion of the premium on outstanding funded debt obligations as may be applicable to that period. This proportion should be determined according to a rule, the uniform application of which throughout the interval between the date of sale and the date of maturity of the debt will extinguish the premium at which such debt was sold.

If the net of the balances in the discount and premium accounts for all classes of funded debt sold or exchanged is a debit balance, the amount should be included in the balance-sheet statement in account No. 126, "Unamortized debt discount and expense"; if a credit balance, the amount should be included in account No. 169, "Unextinguished premium on debt."

No discount and expense on funded debt should be charged to or included in any account as a part of the cost of operation or, except as provided in section 9, page 12, as a part of the cost of acquiring any property, tangible or intangible.

6. Contingent assets and liabilities.—Contingent assets and liabilities should not be included in the body of the balance-sheet statement, but should be shown in detail in a supplementary statement accompanying the balance-sheet statement. *Contingent assets* are those without value to the accounting company until the fulfillment of conditions regarded as uncertain. *Contingent liabilities* include items which may, under certain conditions, become obligations of the company, but are neither direct nor assumed obligations on the date of the balance sheet.

7. Plant and equipment defined.—The plant and equipment accounts of a company (frequently termed the construction accounts) should include the investment in property, both tangible and intangible, devoted to accomplishment of the purposes of the company's business, and which has an expectation of life in service of more than one year from date of installation in service, excluding hand tools and other small portable tools liable to be lost or stolen.

Plant and equipment consists of *original plant and equipment, additions, betterments, and replacements*, and the cost thereof should be charged as directed below.

Original plant and equipment is that installed or acquired prior to the beginning of regular operations by the company. As applied to a telegraph or cable company, it includes the acquisition or construction of the plant necessary to begin the regular telegraph or cable operations. The cost of original plant and equipment should be charged to the appropriate book accounts under account No. 100, "Plant and equipment to January 1, 1914," or to the prescribed plant and equipment primary accounts under account No. 101, "Plant and equipment since December 31, 1913."

Additions are structures, facilities, equipment, and other properties added to those in service at the beginning of operations, and not taking the place of any property of like purpose previously held by the company. The cost of additions should be charged to the appropriate plant and equipment primary accounts under account No. 101, "Plant and equipment since December 31, 1913."

Betterments are physical changes in structures, facilities, or equipment which have as their primary aim and result the making of the properties affected more useful or of greater capacity than they were at the time of their

installation or acquisition. Of the changes incident to betterments the cost of such portion only as will, when added to the original cost of the property bettered, give the cost of reconstruction in present condition of the property as bettered, should be charged as plant and equipment to the appropriate primary accounts under account No. 101, "Plant and equipment since December 31, 1913." The remainder of the cost of the changes should be classed as a repair and be charged to the appropriate operating expense accounts, or to the reserve account, if provision has been made therein.

Replacements are those installations of plant and equipment which have for their purpose the substitution of one building, structure, piece of equipment, or machine for another which it has become necessary to retire, the substitute having substantially no greater capacity than the plant and equipment replaced; also extensions of the life period of franchises, patents, and other intangible investment. The cost of the plant and equipment retired should be credited to the accounts in which it is carried, and the cost of the plant and equipment installed in place of that so retired should be charged to the appropriate primary accounts under account No. 101, "Plant and equipment since December 31, 1913."

8. *Costs to be actual money costs.*—All charges made to plant and equipment or other property accounts with respect to any property acquired on or after January 1, 1914, should be the actual money costs of the property. When the consideration actually given for anything with respect to which a charge is made to any plant and equipment or other property account is anything other than money, the actual consideration should be described in the entry with sufficient fullness and particularity to identify it, and the amount charged should be the actual money value of such consideration at the time of the transaction.

9. *Interest, debt discount, and debt expense during construction period.*—All interest, debt discount, and debt expense assignable to the construction period should be carried in account No. 229, "Interest during construction," and not distributed to the various plant and equipment accounts to which such accruals relate. Account No. 229 should include only such proportion of the interest on funds used for construction purposes and of the discount and expense on funded debt as is equitably assignable to the period between the date of the issuance of securities and the time when the property acquired or the improvement made through such issuance becomes available for the service for which it is intended.

10. *Costs of labor, materials, and supplies.*—The term *cost* as used in the plant and equipment (or construction) accounts means the actual cost in money of labor and materials used in construction, the actual cost in money of property acquired after construction, or, if the consideration given is other than money, the actual money value of such other consideration at the time of the purchase. *Cost of labor* includes not only wages, salaries, and fees paid employees, but also personal expenses of such employees when borne by the company. *Cost of materials and supplies* consumed in construction is the cost at the places where they enter into construction, including cost of transportation and inspection when specifically assignable. If such materials and supplies are passed through storehouses, their cost entered in the account may include a suitable proportion of store expense.

If officers and employees of an operating company are specially assigned to construction work, or if they devote a substantial portion of their time to such work, the proper proportion of their salaries and expenses should be charged to Plant and Equipment. No charge, however, should be made to plant and

equipment accounts for incidental services of officers and employees whose time is regularly devoted to the operation and maintenance of the plant.

11. Plant and equipment and other property purchased.—When any property in the form of a going or completed plant is purchased, an appraisal of the property so acquired should be made, and the different constituent elements of the plant (and equipment, if any) or other property acquired should be appraised at their structural value; that is to say, at the estimated cost of replacement or reproduction less existing deterioration through wear and tear, obsolescence, and inadequacy.

If the actual money value of the consideration given for the plant or other property was at the time of the acquisition in excess of such appraised value, the excess should be charged to account No. 203, "Other intangible capital," and the appraised values of the constituent elements should be charged to the appropriate plant and equipment accounts. If the actual money value of the consideration given was not in excess of such appraised value, such actual money value should be distributed through the said accounts in proportion to the said appraised value of the constituent elements appropriate to the respective accounts.

12. Plant and equipment withdrawn or retired.—When plant and equipment is withdrawn or retired from service for any cause the rules here following should govern the accounting:

(a) When any tangible plant and equipment of the company acquired prior to January 1, 1914, is withdrawn or retired from service for any cause, the amount at which it stands charged should be credited to the book account in which it is charged under account No. 100, "Plant and equipment to January 1, 1914," and such amount plus the expenses incident to the retirement, less the value of salvage, should be charged (1) to account No. 170, "Reserve for accrued depreciation," for the proportion applicable to the period covered by the reserve; and (2) to account No. 413, "Realized depreciation not covered by reserves," for the remainder. Such portion only of the realized depreciation should be charged to account No. 170, "Reserve for accrued depreciation," as is due to life in service during the period for which the reserve was established. This portion may be estimated on the basis of the proportion which the life in service of the property after that date bears to its entire life in service.

The entry of the credit to the plant and equipment accounts should cite by name and page of book or other record the original entry of cost of the thing withdrawn. If there is no such original entry, that fact should be stated in connection with the credit entry, and the actual amount originally charged should be credited. If such amount is not known, it should be estimated, the facts upon which the estimate is based and the name of the person by whom estimated should be shown, and the amount thus estimated to be equivalent to the original charge in respect of such thing withdrawn should be credited to the plant and equipment account involved.

(b) When any tangible plant and equipment of the company acquired since December 31, 1913, is withdrawn or retired from service for any cause, the amount at which it stands charged should be credited to the plant and equipment account in which it is charged, and such amount plus the expenses incident to the retirement, less the value of salvage, should be charged to account No. 170, "Reserve for accrued depreciation."

The entry of the credit to the plant and equipment account should cite by name and page of book or other record the original entry of cost of the thing withdrawn.

(c) If the age of tangible plant and equipment withdrawn or retired from service cannot be determined for classification between account No. 100, "Plant and equipment to January 1, 1914," and account No. 101, "Plant and equipment since December 31, 1913," the property so retired should be treated as having been charged to the former account, and the necessary credits should be made to the book accounts thereunder.

(d) When any tangible plant and equipment is withdrawn or retired whose book value as carried in the plant and equipment accounts has been reduced by writing off estimated depreciation, only that part of the realized depreciation which has not already been written off should be charged to account No. 170, "Reserve for accrued depreciation," or to account No. 413, "Realized depreciation not covered by reserves."

(e) When any plant and equipment is withdrawn or retired whose book value is greater than the known or estimated cost, such excess should be charged to account No. 417, "Miscellaneous debits," and the realized depreciation should be charged as elsewhere directed.

(f) If any plant and equipment is sold for more than its original cost, the amount of depreciation, if any, accrued and credited to a reserve in respect thereof, should be determined as accurately as possible and charged to such reserve. The sum of the amount so charged and the excess of the selling price over the cost of the property should be credited to account No. 401, "Miscellaneous credits."

13. Income Account defined.—The Income Account brings together those accounts that show the total amount of money that the company has received or become entitled to receive for services rendered during a given period, the return accruing during the period upon investments, and the disbursements and obligations (fixed charges) incurred that affect the disposition of the amounts so received or accrued. The net balance of income (or loss) should be carried to Profit and Loss.

14. Taxes.—Separate accounts should be kept distinguishing between taxes related to operating revenues and those related to nonoperating revenues, and, if the company engages in business other than telegraph or cable operations, taxes applicable to such other business should also be kept separate.

The tax accounts should be charged each month and an open account entitled "Tax liability account" concurrently credited with the month's proportion of taxes applicable to the operations covered by each account. If the exact amounts of the annual taxes are not known, they should be estimated and one-twelfth of the estimated amounts be charged each month. From time to time during the year, as the actual tax levies become known, the monthly charges should be adjusted so as to include as nearly as may be possible the total amount of the taxes in the period to which they apply. When any such tax bill is actually paid, the tax liability account should be debited with the amount of the payment. If the balance in the tax liability account is a debit balance, due to the prepayment of taxes applicable to a period subsequent to that for which the Income Account is stated, the amount of the debit balance should be shown in account No. 122, "Prepaid taxes"; if the balance is a credit balance the amount should be shown in account No. 167, "Taxes accrued."

Taxes on property leased should be charged to the appropriate tax account by the party which, under the terms of the lease contract, actually is obligated for such taxes. If the other party to the lease, as a matter of convenience, pays the taxes to the Government authorities, such taxes should not enter its tax accounts but should be charged directly to the party obligated for the taxes.

The tax accounts should not include any fees or charges such as water taxes, drainage taxes, and fire taxes, which, although called taxes, are payments for some specific service rendered by the Government.

15. Profit and Loss Account defined.—This account or summary is the connecting link between the Income Account and the Balance Sheet. It summarizes the changes in the surplus or deficit during a given fiscal period as effected by the operations and business transactions during that period, by any disposition of net profits made solely at the option of the company, by accounting adjustments not properly attributable to the period, or by miscellaneous losses or gains not provided for elsewhere. The profit and loss balance should be shown on the balance-sheet statement under account No. 128, "Profit and loss—Debit balance," or No. 179, "Profit and loss—Credit balance."

16. Operating revenues defined.—By *operating revenues* are meant all amounts of money which the company receives or becomes lawfully entitled to recover for services rendered and as a return upon property used by the company in its own operations. Credits to the various revenue accounts should be based upon the gross charges made for services rendered by the company.

17. Deductions from revenues.—Corrections of overcharges, overcollections theretofore credited and afterwards corrected, authorized refunds on account of errors or failures in transmission, and other corrections should be charged to the revenue account to which they relate.

18. Commissions.—Commissions allowed to others for originating or handling messages or for other commercial service connected with revenue messages should not be charged to the revenue accounts. Such commissions, when allowed company employees in lieu of or in addition to salaries, should be charged to the operating expense accounts chargeable with the salaries of such employees. Such commissions allowed other than employees should be charged to operating expense account No. 631, "Telephone company service," if the recipients are engaged in telephone operations, or to account No. 632, "Commissions," if payable to others.

19. Repairs defined.—The term *repairs*, as used in the text of the various operating expense accounts, includes ordinary and extraordinary repairs.

Ordinary repairs are not required to be taken into account in fixing a rate of depreciation. They include:

(a) Clearing crosses, breaks, grounds, and other line troubles, including routine work intended to prevent such troubles, such as pulling up slack, tightening guys and resetting guy stubs, trimming trees, straightening poles and cross arms, and cleaning and adjusting apparatus;

(b) Replacements of minor or short-lived structures, equipment, or facilities, or parts thereof not provided against in the charge for depreciation of plant and equipment;

(c) Rearrangements and changes in location of plant involving no substantial replacement or any betterment;

(d) Recovering salvage and removing retired or abandoned property, when such costs are not provided for in the depreciation reserves.

Extraordinary repairs, which should be provided for, so far as may be possible, by charges to depreciation, include:

(aa) Restoring the condition of property damaged by storms, floods, fire, or other casualties;

(bb) Recovering salvage and removing retired or abandoned property in connection with above-mentioned work.

All repairs, whether ordinary or extraordinary, should be charged to the appropriate primary operating expense accounts. Extraordinary repairs for which a reserve has been provided should then be concurrently charged to

account No. 170, "Reserve for accrued depreciation," and credited to account No. 611, "Repairs charged to reserves—Cr."

When it is necessary substantially to reconstruct or to replace a major portion of any unit of property or any important section of a continuous structure, the cost should be handled through the capital accounts; that is, the cost of the property removed or replaced should be credited to the appropriate plant and equipment accounts and the new property should be charged thereto.

20. *Cost of repairs.*—The term *cost of repairs*, as used in the texts of the various operating expense accounts, should be understood to include the wages, salaries, and fees paid employees directly engaged in the work of repairs, personal expenses of such employees when borne by the company, the cost (including transportation) of materials and supplies consumed, and the expense of facilities employed in making the repairs, less the value of any salvage recovered. It includes also the cost of direct supervision, such as by foremen or superintendents of repair gangs, but does not include the cost of general supervision as provided for in account No. 600, "Supervision of maintenance."

21. *Depreciation of plant and equipment.*—Telegraph and cable companies should include in operating expenses depreciation charges for the purpose of creating proper and adequate reserves to cover the expenses of depreciation currently accruing in the tangible plant and equipment. By *expense of depreciation* is meant—

(a) Losses suffered through the current lessening in value of tangible property from wear and tear not covered by current repairs;

(b) Obsolescence or inadequacy resulting from age, physical change, or supersession by reason of new inventions and discoveries, changes in popular demand, or public requirements;

(c) Losses suffered through destruction of property by extraordinary casualties.

The rate of depreciation should be fixed so as to distribute, as nearly as may be, evenly throughout the life of the depreciating property the burden of extraordinary repairs and the cost of capital consumed in operations during a given month or year, and should be based upon the average life of the units comprised in any class of property.

The amount charged as expense of depreciation should be based upon rules determined by the accounting company. Such rules may be derived from a consideration of the company's history and experience. Companies should be prepared to furnish the Commission, upon demand, the rules and a sworn statement of facts, expert opinions, and estimates upon which the rules are based.

The estimate for depreciation of physical property should take into account—

(aa) The gradual deterioration and ultimate retirement of units of property which may be satisfactorily individualized, such as buildings, machines, and valuable instruments, to the end that by the time such units of property go out of service there shall have been accumulated a reserve equal to the original money cost of such property, plus cost of removal, less the value of any salvage;

(bb) The depreciation accruing in property which can not be readily individualized, such as pole lines, wires, cables, and other continuous structures, to the end that when such property goes out of service or when extensive replacements are made, there shall have been accumulated a reserve equal to the original cost, plus the cost of removal less the value of any salvage. Any repairs or minor replacements of such structures made from time to time are to be classed as ordinary repairs and charged to the primary repair accounts when made.

The amount estimated to cover the expense of depreciation of plant and equipment should be charged monthly to account No. 608, "Depreciation of plant and equipment," or to the appropriate clearing account or accounts and concurrently credited to account No. 170, "Reserve for accrued depreciation."

Account No. 413, "Realized depreciation not covered by reserves," is provided in the Profit and Loss Account for charges for realized depreciation on plant and equipment retired when such depreciation occurred prior to the establishment of account No. 170, "Reserve for accrued depreciation," or has not been provided for by credits to that account.

22. **Extraordinary casualties and unanticipated reconstruction.**—If so authorized, upon application to the Commission, the company granted such authority may charge the amount named in the authority to a suspense account for the purpose of distributing over a limited period an extraordinary loss of such a nature that it can not be anticipated by the exercise of reasonable prudence. Losses of this sort may be due to the requirement by lawful authority or public necessity of improvements involving the abandonment of a considerable portion of plant and equipment before it has attained its normal life in service, or to an extraordinary casualty entirely unforeseen and unprovided for.

The original cost of the property so abandoned or destroyed should be credited to the plant and equipment accounts in which it was carried, and such portion of the cost as may be authorized by the Commission may be charged to the suspense account, the remainder of the cost, less any salvage, being charged out as elsewhere provided in case of retirement of property. The suspense account so raised should be credited and account No. 609, "Extraordinary depreciation," debited monthly with such an amount as will, through its regular application, amortize the amount of the loss at the end of the period designated.

23. **Joint operating expenses.**—When any operating expense is incurred by a company for the joint benefit of itself and another under agreement for apportioning such expenses, the creditor company should credit to its primary expense or other accounts to which the expenses were charged when incurred, the amounts billed by it to the sharing company. The debtor company should charge to its primary expense or other accounts the amounts so billed. Bills rendered by the operating company for joint expenses should show the expenses in detail.

BALANCE SHEET STATEMENT.

ASSET SIDE.

	Page.
100. PLANT AND EQUIPMENT TO JANUARY 1, 1914.....	21
101. PLANT AND EQUIPMENT SINCE DECEMBER 31, 1913.....	21
102. CONSTRUCTION WORK IN PROGRESS.....	21
103. INVESTMENT SECURITIES.....	21
104. LONG-TERM ADVANCES RECEIVABLE.....	22
105. MISCELLANEOUS INVESTMENTS.....	22
106. CASH.....	22
107. SPECIAL DEPOSITS.....	22
108. EMPLOYEES' WORKING FUNDS.....	22
109. MARKETABLE SECURITIES.....	23
110. BILLS RECEIVABLE.....	23
111. ACCOUNTS RECEIVABLE FROM CUSTOMERS AND AGENTS.....	23
112. ACCOUNTS RECEIVABLE FROM SYSTEM CORPORATIONS.....	23
113. MISCELLANEOUS ACCOUNTS RECEIVABLE.....	23
114. MATURED INTEREST AND DIVIDENDS RECEIVABLE.....	23
115. MATERIALS AND SUPPLIES.....	23
116. OTHER CURRENT ASSETS.....	24
117. UNMATURED INTEREST, DIVIDENDS, AND RENTS RECEIVABLE.....	24
118. SINKING FUND ASSETS.....	24
119. INSURANCE AND OTHER RESERVE FUND ASSETS.....	24
120. PROVIDENT FUND ASSETS.....	25
121. PREPAID RENTS.....	25
122. PREPAID TAXES.....	25
123. PREPAID INSURANCE.....	25
124. OTHER PREPAYMENTS.....	25
125. UNEXTINGUISHED DISCOUNT ON CAPITAL STOCK.....	25
126. UNAMORTIZED DEBT DISCOUNT AND EXPENSE.....	25
127. OTHER DEFERRED DEBIT ITEMS.....	25
128. PROFIT AND LOSS—DEBIT BALANCE.....	26

LIABILITY SIDE.

150. CAPITAL STOCK.....	26
151. STOCK LIABILITY FOR CONVERSION OF SECURITIES.....	27
152. PREMIUMS ON CAPITAL STOCK.....	27
153. GRANTS IN AID OF CONSTRUCTION.....	27
154. FUNDED DEBT.....	27
155. RECEIVER'S CERTIFICATES.....	28
156. LONG-TERM ADVANCES PAYABLE.....	28
157. JUDGMENTS UNPAID.....	29
158. BILLS PAYABLE.....	29
159. AUDITED VOUCHERS AND WAGES UNPAID.....	29
160. CUSTOMERS' DEPOSITS.....	29

	Page.
161. ACCOUNTS PAYABLE TO SYSTEM CORPORATIONS.....	29
162. MISCELLANEOUS ACCOUNTS PAYABLE.....	29
163. MATURED INTEREST, DIVIDENDS, AND RENTS UNPAID.....	29
164. MATURED FUNDED DEBT UNPAID.....	30
165. SERVICE BILLED IN ADVANCE.....	30
166. OTHER CURRENT LIABILITIES.....	30
167. TAXES ACCRUED.....	30
168. UNMATURED INTEREST, DIVIDENDS, AND RENTS PAYABLE.....	30
169. UNEXTINGUISHED PREMIUM ON DEBT.....	30
170. RESERVE FOR ACCRUED DEPRECIATION.....	30
171. RESERVE FOR AMORTIZATION OF INTANGIBLE CAPITAL.....	31
172. RESERVE FOR DOUBTFUL ACCOUNTS.....	31
173. INSURANCE AND CASUALTY RESERVES.....	31
174. LIABILITY FOR PROVIDENT FUNDS.....	31
175. OTHER DEFERRED CREDIT ITEMS.....	32
176. SURPLUS INVESTED SINCE DECEMBER 31, 1913, IN PLANT AND EQUIPMENT.	32
177. SURPLUS INVESTED IN SINKING FUNDS.....	32
178. OTHER SURPLUS RESERVED.....	32
179. PROFIT AND LOSS—CREDIT BALANCE.....	32

TEXT PERTAINING TO ACCOUNTS IN THE BALANCE SHEET STATEMENT.

ASSET SIDE.

100. PLANT AND EQUIPMENT TO JANUARY 1, 1914.

In this account on the balance-sheet statement should be shown the total of the balances in the ledger accounts representing the company's plant and equipment which was installed prior to January 1, 1914, and which is still in service at the date of the balance sheet. (See text of this account on p. 35.)

101. PLANT AND EQUIPMENT SINCE DECEMBER 31, 1913.

In this account on the balance-sheet statement should be shown the total of the balances in the ledger accounts representing the company's investment in plant and equipment installed since December 31, 1913, and still in service at the date of the balance sheet. (For the plant and equipment primary accounts, see pp. 35 to 41.)

102. CONSTRUCTION WORK IN PROGRESS.

This account should include the amounts expended upon plant that is in process of construction under estimates or work orders, but is not ready for service at the date of the balance sheet. It should include interest charged during construction, also such proportion of plant supervision expenses, engineering expenses, tool expenses, supply expenses, floating equipment expenses, railway equipment expenses, and general expenses as may be properly chargeable to the construction work included under this account.

When any project, the cost of which has been included in this account, is completed or placed in service, the amount thus charged for such job should be credited to this account, and the appropriate plant and equipment account or other accounts should be concurrently charged.

This account should not be used to exclude from the plant and equipment accounts property actually used in operation which forms part of a line not completed in entirety.

103. INVESTMENT SECURITIES.

This account should include the cost or book value of stocks, and of bonds, notes, and other evidences of indebtedness, having dates of maturity of more than one year from date of issue, held by the accounting company, and pledged as collateral for other securities issued or assumed, or held as a means of obtaining or exercising control over other corporations, for devotion to future operations, or for securing other business advantages.

The amounts included herein should be subdivided as (a) Stocks of system corporations, (b) Funded debt of system corporations, (c) Miscellaneous stocks, and (d) Miscellaneous funded debt.

103. INVESTMENT SECURITIES—Continued.

In stating this account or the subaccounts hereof on the balance-sheet statement the par value of securities issued or assumed by the company and held by it, if carried in this account, should be deducted in order that this account may show only the cost or book value of securities of other companies. (See sec. 3, p. 9.)

NOTE A.—By a *system corporation* is meant any controlling, affiliated, controlled, or subsidiary corporation.

NOTE B.—Notes payable upon demand or having dates of maturity of one year or less from the date of issue should not be included herein but in account No. 104, "Long-term advances receivable," or No. 110, "Bills receivable," as may be appropriate.

NOTE C.—In the annual reports to the Commission investments in securities will be required to be classified so as to show those held subject to a lien of some character and those held free of lien, pledge, or other restrictions.

104. LONG-TERM ADVANCES RECEIVABLE.

This account should include advances to other companies, both when evidenced by book accounts and when evidenced by demand notes, when it is mutually agreed that the accounting company shall be reimbursed for such advances in securities of the debtor company's issue.

105. MISCELLANEOUS INVESTMENTS.

This account should include investments of a permanent nature in property, either tangible or intangible, other than that properly chargeable to the plant and equipment accounts. This should include such items as investments in lighting, water, and power plants, manufacturing plants, lands, buildings, and other property not a part of the company's plant for telegraph or cable operations nor of facilities incident thereto.

106. CASH.

This account should include the amount of current funds, available for use on demand, in the hands of financial officers and agents, or deposited in banks or with trust companies; also cash in transit for which managers and agents receive current credit.

107. SPECIAL DEPOSITS.

This account should include deposits to pay declared dividends and matured interest; cash realized from the sale of securities and deposited with trustees for disbursement when the purposes for which the securities are sold are accomplished; amounts realized from the sale of property and deposited with trustees, in other than sinking funds, until the property is replaced; special deposits in other than sinking funds for the payment of debts and interest not matured; money and securities deposited to secure the performance of contracts; and other deposits of a special nature not provided for elsewhere.

In stating this account on the balance-sheet statement the amount of any securities issued or assumed by the company and included herein should be deducted in order that the account may show only the assets herein other than the company's own securities. (See sec. 3, p. 9.)

108. EMPLOYEES' WORKING FUNDS.

This account should include amounts advanced to superintendents, managers, and other officers and employees as working funds from which certain expenditures are to be made and accounted for.

109. MARKETABLE SECURITIES.

This account should include the cost or book value of securities of other companies and the par value of securities issued or assumed by the accounting company, when held in the company's treasury unpledged and free for sale and not necessary or desirable for the company to hold for the purpose of maintaining the integrity of its telegraph or cable system.

In stating this account on the balance-sheet statement the par value of securities issued or assumed by the company and carried in this account should be deducted, in order that this account shall show only the cost or book value of securities of other companies. (See sec. 3, p. 9.)

110. BILLS RECEIVABLE.

This account should include the cost of collectible obligations in the form of bills receivable or other similar evidences of money receivable on demand or within a time not exceeding one year, excluding interest coupons.

NOTE A.—Notes having dates of maturity of more than one year after date of issue should be included in account No. 103, "Investment securities" or No. 109, "Marketable securities."

NOTE B.—When loans are evidenced by demand notes intended later to be exchanged for other securities, the amount of such loans should be included in account No. 104, "Long-term advances receivable."

111. ACCOUNTS RECEIVABLE FROM CUSTOMERS AND AGENTS.

This account should include amounts due from customers for services rendered or billed, and from agents and collectors authorized to make collections of operating revenues. (See accounts Nos. 172 and 304.)

112. ACCOUNTS RECEIVABLE FROM SYSTEM CORPORATIONS.

This account should include amounts due from controlling, affiliated, controlled, or subsidiary corporations on open accounts other than those provided for in account No. 104, "Long-term advances receivable."

113. MISCELLANEOUS ACCOUNTS RECEIVABLE.

This account should include all amounts owing to the company upon accounts with solvent concerns, other than amounts provided for in accounts Nos. 111 and 112; claims upon which responsibility is acknowledged by solvent concerns or which are sufficiently secured to be considered good; and judgments against solvent concerns where the judgment is not appealable or suspended through appeal.

NOTE.—Cash on deposit in banks or with trust companies should be included in account No. 106, "Cash," or No. 107, "Special deposits."

114. MATURED INTEREST AND DIVIDENDS RECEIVABLE.

This account should include interest accrued and due but not yet collected upon bonds, notes, or other commercial paper held by or for the benefit of the company, and all dividends declared and due from solvent concerns but not yet collected, the right to which is in the accounting company.

115. MATERIALS AND SUPPLIES.

This account should include the cost of unapplied material, including material temporarily in use and not charged out in the company's accounts, articles in process of manufacture by the company, fuel, stationery, tools, and other supplies. Freight and express charges paid on

115. MATERIALS AND SUPPLIES—Continued.

material included in this account should be included in the value of such material.

When any plant and equipment is discontinued, withdrawn, or retired, and when any equipment, materials, and supplies are returned to store, the salvage value thereof should be charged to this account, regardless of whether it is to be consumed in operation or in construction or to be sold. If such value is not known and can not readily be determined, it should be estimated. Errors in such estimates when determined, if made during the year in which the estimates were made, should be adjusted through the accounts involved; if later, then through the Profit and Loss Account.

Inventories of materials and supplies on hand and unapplied should be taken at least annually, and any shortages or overages disclosed by such inventories should be credited or debited to this account and debited or credited to clearing account No. 704, "Supply expense," in case such shortages or overages can not be assigned to specific accounts.

NOTE.—Where discounts recovered through prompt payment can not be credited to the particular bills, such materials and supplies should be charged at the invoice cost, and any discounts recovered through prompt payment of bills for such materials and supplies should be credited to clearing account No. 704, "Supply expense."

116. OTHER CURRENT ASSETS.

This account should include the cost of all current assets which are not includible under any of the foregoing accounts. By *current assets* are meant only money or those things that are readily convertible into money and which are held not as investments but with the intent of being presently converted into money.

117. UNMATURED INTEREST, DIVIDENDS, AND RENTS RECEIVABLE.

This account should include interest on loans made; rents under leases accrued to the date of the balance sheet, but not due or collectible until after that date; dividends declared but not due on stocks owned; and dividends accrued on stocks owned when contracts require that the dividends be paid at stated times.

118. SINKING FUND ASSETS.

This account should include the amount of cash, the cost or book value of live securities of other companies, and other assets which are in the hands of trustees of sinking and other funds for the purpose of redeeming outstanding obligations; also amounts deposited with such trustees on account of mortgaged property sold, and the par value of live securities issued or assumed by the accounting company and held in such funds. A separate account should be kept for each fund.

In stating this account on the balance-sheet statement the par value of any securities issued or assumed by the company and carried in this account should be deducted from the total in order to show only the assets in sinking funds other than the company's own securities. (See sec. 3, p. 9.)

119. INSURANCE AND OTHER RESERVE FUND ASSETS.

This account should include the amount of cash, the cost or book value of securities of other companies, and other assets in the hands of trustees or managers of insurance and other funds that have been raised and specifically set aside or invested by the company for specific purposes, not provided for elsewhere; also the par value of securities issued

119. INSURANCE AND OTHER RESERVE FUND ASSETS—Continued.

or assumed by the accounting company and held in such funds. A separate account should be kept for each fund.

In stating this account on the balance-sheet statement the par value of any securities issued or assumed by the company and carried in this account should be deducted from the total in order to show only the assets in the funds other than the company's own securities. (See sec. 3, p. 9.)

120. PROVIDENT FUND ASSETS.

This account should include the amount of cash, the cost or book value of securities of other companies, and other assets, whether contributed by the company, by employees, or by others, in the hands of trustees or managers of employees' pension funds, savings funds, relief, hospital, and other association funds, when such trustees or managers are acting for the company in the administration of such funds; also the par value of securities issued or assumed by the accounting company and held in such funds.

NOTE.—This account should not include funds held by the accounting company solely as trustee, and in which it has no beneficial interest.

121. PREPAID RENTS.

This account should include the amount of rents paid in advance of the enjoyment of the term. As the term is consumed, this account should be credited at monthly intervals and the appropriate rent account should be debited with the amount applicable to the month.

122. PREPAID TAXES.

This account should include the excess of taxes paid over the amount properly chargeable to income or other accounts as shown by the debit balance in the tax liability account. (See sec. 14, p. 14.)

123. PREPAID INSURANCE.

This account should include amounts paid as premiums on insurance policies in advance of their accrual. As such premiums accrue, they should be credited at monthly intervals to this account and charged to account No. 646, "Insurance."

124. OTHER PREPAYMENTS.

This account should include amounts of prepayments made for anything other than as provided for in the last three preceding accounts.

125. UNEXTINGUISHED DISCOUNT ON CAPITAL STOCK.

If the net of the balances in the discount and premium accounts for all classes of capital stock sold or exchanged is a debit balance, the amount should be stated in this account. (See sec. 4, p. 10.)

126. UNAMORTIZED DEBT DISCOUNT AND EXPENSE.

If the net of the balances in the discount and premium accounts for all classes of funded debt sold or exchanged is a debit balance, the amount should be stated in this account. (See sec. 5, p. 10.)

127. OTHER DEFERRED DEBIT ITEMS.

This account should include suspense account debit balances that can not be entirely cleared and disposed of until additional information is received.

It should include such matters as amounts carried in suspense due to extraordinary casualties and unanticipated reconstruction (See sec. 22, p. 17); expense of preliminary surveys, plans, investigations, etc., made

127. OTHER DEFERRED DEBIT ITEMS—Continued.

for determining the feasibility of projects held in contemplation; items awaiting adjustment between accounts; debit balances in clearing accounts; amounts to be spread over a stated term and not provided for in other accounts; debit balances in operating reserves created for repairs of ocean cables; and other similar items.

128. PROFIT AND LOSS—DEBIT BALANCE.

Under this head should be shown the debit balance, if any, in the Profit and Loss Account. (See sec. 15, p. 15.)

LIABILITY SIDE.**150. CAPITAL STOCK.**

This account should include the total par value of certificates or receipts actually or nominally issued to represent permanent interests in the accounting company, or interests which, if terminable, are so only at the option of the company.

The amounts included in this account should be divided so as to show (1) the par value of certificates issued and actually outstanding, being those not held by the company, its agents or trustees, or subject to its control; and (2) the par value of certificates, pledged and unpledged, held in the company's treasury, by its agents or trustees, or otherwise subject to its control, including both those reacquired after actual issue and those nominally but never actually issued.

The amounts included in this account should be further divided so as to show the amount of each class of stock issued, as follows:

(a) **COMMON STOCK.**—Stocks whose claims in the distribution of dividends are subordinate to the claims of all other stock.

(b) **PREFERRED STOCK.**—Stocks having a prior claim upon such dividends as may be distributed.

(c) **DEBENTURE STOCK.**—Stocks issued under a contract to pay a specified return at specified intervals.

(d) **RECEIPTS OUTSTANDING FOR INSTALLMENTS PAID.**—Receipts for payments on account of subscriptions to capital stock. When certificates are issued for amounts so paid, the par value should be included in the account covering the class of stock for which the certificates are issued.

Each of the above classes should be divided also into subclasses according to differences in dividend or interest rights, voting rights, or conditions under which the securities may be retired.

If any issue of stock is for money, that fact should be stated; and if for any consideration other than money, the person to whom issued should be designated, and the consideration for which issued should be described with sufficient particularity to identify it. If such issue is to the treasurer or other agent of the company, to be by him disposed of for the benefit of the company, that fact and the name of such agent should be shown; and such agent should, in his account of the disposition thereof, show the like details concerning the consideration realized thereon. If the fair cash value of the consideration realized is greater or less than the par value, the difference credited or charged to an appropriate discount and premium account should have reference made to it in the entry in the stock account. (See sec. 4, p. 10.)

In stating this account on the balance-sheet statement, the amount held by the company, its agents or trustees, or subject to its control, should be deducted from the total in order to show only the par value

150. CAPITAL STOCK—Continued.

of the certificates actually outstanding at the date of the balance-sheet statement. (See sec. 3, p. 9.)

NOTE A.—For the purposes of the balance-sheet statement, capital stock is considered *nominally issued* when certificates are signed and sealed and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the accounting company. It is considered to be *actually issued* when it has been sold to a bona fide purchaser for a valuable consideration, and such purchaser holds it free from all control by the accounting company. All capital stock actually issued and not reacquired by or for the accounting company is considered to be *actually outstanding*. If reacquired and held by or for the accounting company under such circumstances as require it to be considered as held alive and not canceled or retired, it is considered to be *nominally outstanding*.

NOTE B.—When a general levy or assessment is made against the holders of capital stock, requiring the payment of any sum for the use of the company in addition to the consideration agreed upon at the time of sale, the amount collected upon such levy or assessment should be credited to the discount and premium account for the class of stock on which the assessment is made.

151. STOCK LIABILITY FOR CONVERSION OF SECURITIES.

This account should include the par value of stock that the company has agreed to issue in exchange for securities of constituent companies whose physical property has been acquired under such agreements, but whose securities have not yet been surrendered for exchange.

152. PREMIUMS ON CAPITAL STOCK.

If the net of the balances in the discount and premium accounts for all classes of capital stock sold or exchanged is a credit balance, the amount should be stated in this account. (See sec. 4, p. 10.)

153. GRANTS IN AID OF CONSTRUCTION.

This account should include the amounts of grants by individuals, associations, corporations, governments, or others as contributions to the cost of construction, additions, or betterments.

154. FUNDED DEBT.

This account should include the total par value of unmatured funded debt maturing more than one year from date of issue, issued by the accounting company and not retired or canceled, and the total par value of similar unmatured debt of other companies the payment of which has been assumed by the accounting company.

The amounts included in this account should be divided so as to show (1) the par value of certificates or other evidences of funded debt issued and actually outstanding, being those not held by the company, its agents or trustees, or subject to its control; and (2) the par value of certificates or other evidences of funded debt, pledged and unpledged, held in the company's treasury, by its agents or trustees, or otherwise subject to its control, including both those reacquired after actual issue and those nominally but never actually issued.

The amounts included in this account should be further divided so as to show the amount of each class of funded debt, as follows:

(a) MORTGAGE BONDS.—Bonds secured by a lien on physical property and not includible in the other subdivisions of this account.

(b) COLLATERAL TRUST BONDS.—Bonds and notes having a date of maturity of more than one year after date of issue, secured by a lien on securities or other commercial paper; also stock trust certificates similar in character to collateral trust bonds.

(c) INCOME BONDS.—Bonds which are a lien on a company's revenue alone, or bonds which, while being a lien on its property and franchises, can claim payment of interest only in case interest is earned.

154. FUNDED DEBT—Continued.

(d) MISCELLANEOUS OBLIGATIONS.—All funded obligations not provided for by the other subdivisions of this account, also notes, unsecured certificates of indebtedness, debenture bonds, plain bonds, real estate mortgages executed or assumed, and other similar obligations maturing more than one year after date of issue.

(e) RECEIPTS OUTSTANDING FOR FUNDED DEBT.—Receipts for payments on account of funded debt. When certificates are issued for amounts so paid, the par value should be included in the account covering the class of funded debt for which the certificates are issued.

Each of the above classes should be divided also into subclasses according to differences in mortgage or other lien or security therefor, rate of interest, interest dates, or date of maturity. Parts of any issue agreeing in other characteristics but maturing serially may be treated as of the same subclass.

If the consideration received for any issue of funded debt is anything else than money, the entry should show the principal to whom issued and should describe the consideration actually received for the issue with sufficient particularity to identify it. If the issue is in any case to an agent of an undisclosed principal, the name and business address of such agent and the fact of his agency should be shown in the entry. If the fair cash value of the consideration realized is greater or less than the par value plus the accrued interest, the difference credited or charged to an appropriate discount and premium account should have reference made to it in the funded debt account. (See sec. 5, p. 10.)

In stating this account on the balance-sheet statement, the amount held by the company, its agents or trustees, or subject to its control should be deducted from the total in order to show only the par value of funded debt securities actually outstanding at the date of the balance-sheet statement. (See sec. 3, p. 9.)

NOTE.—For the purposes of the balance-sheet statement, funded debt securities are considered to be *nominally issued* when certified by trustees and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the accounting company. They are considered to be *actually issued* when they have been sold to a bona fide purchaser for a valuable consideration, and such purchaser holds them free from all control by the accounting company. All funded debt securities actually issued and not reacquired and held by or for the accounting company are considered to be *actually outstanding*. If reacquired by or for the accounting company under such circumstances as require them to be considered as held alive and not canceled or retired, they are considered *nominally outstanding*.

155. RECEIVER'S CERTIFICATES.

When any receiver acting under the orders of a court of competent jurisdiction is in possession of the property of the company and under the orders of such court issues certificates of indebtedness chargeable upon such property, the par value of such certificates should be credited to this account. Interest accruing upon such certificates should also be credited monthly to this account, and when paid should be charged to this account.

156. LONG-TERM ADVANCES PAYABLE.

This account should include advances from other companies, both when evidenced by book accounts and when evidenced by demand notes, when it is mutually agreed that such companies shall be reimbursed for such advances in securities of the accounting company's issue.

157. JUDGMENTS UNPAID.

When any judgment of indebtedness is rendered against the company by a court of competent jurisdiction, or any fine or penalty requiring the payment of money is assessed against the company by such a court, and no appeal accompanied by stay of execution has been taken therefrom within the time allowed by law for such appeal, the amount of such judgment, fine, or penalty, should be credited to this account, and the entry should designate the action or suit as a consequence of which such judgment is pronounced or such fine or penalty assessed. The designation of the action or suit should indicate the court, the term thereof, the parties, and the character of the action or suit. Interest accruing upon any such judgment should be credited to this account.

In case of appeal and affirmance in whole or in part from which judgment of affirmance a further appeal lies, the same rule shall apply as upon entry of original judgment.

158. BILLS PAYABLE.

This account should include the par value of all notes, drafts, and other evidences of indebtedness, issued or assumed by the company, and payable on demand or within a time not exceeding one year.

NOTE.—When loans from other companies are evidenced by demand notes intended later to be exchanged for other securities, the amount of such loans should be included in account No. 156, "Long-term advances payable."

159. AUDITED VOUCHERS AND WAGES UNPAID.

This account should include the amount of audited vouchers or accounts and audited pay rolls unpaid on the date of the balance sheet; also the amount of unclaimed wages and outstanding pay and time checks issued in payment of wages.

160. CUSTOMERS' DEPOSITS.

This account should include all cash deposited with the company by customers as security for the payment of bills. Deposits refunded should be charged to this account and credited to cash. Deposits applied to uncollectible telegraph or cable bills should be charged to this account and credited to the account of the customer.

NOTE.—This account is not intended to cover small amounts deposited by senders of collect messages as guaranty in case charges can not be collected at destination, such amounts being usually refunded or applied within a short time.

161. ACCOUNTS PAYABLE TO SYSTEM CORPORATIONS.

This account should include the amounts owed to controlling, affiliated, controlled or subsidiary corporations on open accounts, other than those provided for in account No. 156, "Long-term advances payable."

162. MISCELLANEOUS ACCOUNTS PAYABLE.

This account should include all amounts owed to miscellaneous creditors on open accounts and not provided for elsewhere.

163. MATURED INTEREST, DIVIDENDS, AND RENTS UNPAID.

This account should include matured and unpaid interest on funded debt, loans, and debenture stock of the accounting company, and of other companies when payment has been assumed by the company; rents due and unpaid for property held under leases; and dividends due and payable on capital stock but unpaid, uncalled for, or unclaimed at the date of the balance sheet.

164. **MATURED FUNDED DEBT UNPAID.**

This account should include the amount of matured mortgage, bonded, and other funded debt payable, but not yet paid, including bonds drawn for redemption through the operation of sinking and redemption fund agreements.

165. **SERVICE BILLED IN ADVANCE.**

This account should include the amounts covering time service and other services which are billed in advance. As the service is performed this account should be charged and the appropriate revenue account should be credited.

166. **OTHER CURRENT LIABILITIES.**

This account should include the amounts of all current liabilities which are not included in any of the foregoing accounts.

167. **TAXES ACCRUED.**

This account should include the amount of taxes accrued and properly charged against income or other accounts in excess of the amount of taxes paid. (See sec. 14, p. 14.)

168. **UNMATURED INTEREST, DIVIDENDS, AND RENTS PAYABLE.**

This account should include the amount of interest accrued but not due on funded debt issued or assumed, loans, and open accounts; and rents under leases accrued to the date for which the balance sheet is made but not due until after that date; also dividends declared on stock prior to the date of the balance sheet but not payable until after that date.

NOTE.—The interest accruing on any judgments against the company or upon any receiver's certificates should be credited to the account to which such judgments or receiver's certificates stand credited.

169. **UNEXTINGUISHED PREMIUM ON DEBT.**

If the net of the balances in the discount and premium accounts for all classes of funded debt sold or exchanged is a credit balance, the amount should be stated in this account. (See sec. 5, p. 10.)

170. **RESERVE FOR ACCRUED DEPRECIATION.**

To this account should be credited such amounts as are concurrently charged to operating expense account No. 608, "Depreciation of plant and equipment," and to clearing accounts Nos. 701, 702, 703, 708, and 709, to cover the expense of depreciation of plant, equipment, furniture, tools, and implements. To this account should also be credited any amount carried in reserve on January 1, 1914, to cover the expense of depreciation on plant, equipment, furniture, tools, and implements installed prior to that date.

To this account should be charged, when tangible plant and equipment installed since December 31, 1913, is relinquished, retired, or destroyed, the realized depreciation thereof; also the amount of depreciation carried in this account in respect of tangible plant and equipment installed prior to January 1, 1914, when such property is relinquished, retired, or destroyed. (See secs. 12, p. 13, and 21, p. 16.)

To this account should be charged also such part of the expenditures for extraordinary repairs concurrently credited to account No. 611, "Repairs charged to reserves—Cr.," as may have been provided for in estimating the rate of depreciation. (See sec. 19, p. 15.)

If depreciation is accrued on leased plant and equipment, this account should be subdivided into (a) Reserve for accrued depreciation, and (b) Reserve for accrued depreciation of leased plant and equipment.

171. RESERVE FOR AMORTIZATION OF INTANGIBLE CAPITAL.

To this account should be credited such amounts as are charged to account No. 414, "Amortization unprovided for elsewhere," and account No. 652, "Amortization of franchises and patents," to provide a reserve for intangible capital. The amounts charged to account No. 652 and credited to this account should be based upon a rule determined by the accounting company, the purpose and effect of such rule being to accumulate by charges equitably distributed throughout the life of any franchise or patent a reserve that will at the expiration of its life equal the original cost.

NOTE.—When any franchise, patent, or other intangible capital expires or is otherwise retired from service (as, for example, through sale), (1) the account originally charged therewith should be credited with the amount originally charged; (2) this account should be debited with all amounts theretofore credited in respect of such capital going out of service; (3) the appropriate account should be debited with the proceeds of sale, if any, and (4) any necessary adjustment should be made by charging account No. 414, "Amortization unprovided for elsewhere," or crediting account No. 401, "Miscellaneous credits," as may be appropriate.

172. RESERVE FOR DOUBTFUL ACCOUNTS.

To this account should be credited such amounts as may be concurrently charged to account No. 304, "Uncollectible operating revenues," to provide a reserve for doubtful accounts. If such reserve is provided, when any bill for service has proved impracticable of collection, this account should be charged and the account in which the bill is carried should be credited.

173. INSURANCE AND CASUALTY RESERVES.

This account should include any specific appropriation of income or surplus and such amounts as are concurrently charged to account No. 646, "Insurance," to cover self-carried risks on fire, fidelity, boiler, casualty, burglar, and other self-carried insurance. To this account should be charged the proper proportions of losses realized on items protected by such self-carried insurance.

When any admitted liability arises because of loss or damage to the property of others or because of injuries to employees or other persons, and is not previously provided for by insurance or self-insurance, the amount of the liability may be charged to the appropriate operating expense or other accounts and credited to this account, against which, in such case, the actual cost of satisfaction of the liability should be charged when determined. If the extent of the liability can not be known immediately an estimate may be charged as stated, adjustment being made when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the company, the indemnifiable portion of the loss should be charged to the insurer and credited to this account.

174. LIABILITY FOR PROVIDENT FUNDS.

This account should include any specific appropriations of income or surplus and such amounts as are charged to account No. 649, "Relief department and pensions," to provide for pension, benefit, and other provident payments.

This account should include also the ledger balances covering the amount of cash and the cost or book value of securities and other assets (whether contributed by the company, by employees, or by others) in the hands of trustees or managers of employees' pension funds, savings funds,

174. LIABILITY FOR PROVIDENT FUNDS—Continued.

relief, hospital, and other association funds, when such trustees or managers are acting for the company in the administration of such funds; also the amount of such funds held in the company's treasury.

NOTE.—This account should not include items representing funds in which the accounting company has no beneficial interest and which it holds purely as trustee.

175. OTHER DEFERRED CREDIT ITEMS.

This account should include suspense account credit balances that can not be entirely cleared and disposed of until additional information is received. It should include such matters as credit balances in operating reserves created for repairs of ocean cable lines; items awaiting adjustment between accounts; credit balances in clearing accounts; amounts to be spread over a stated term and not provided for elsewhere; and other similar items.

176. SURPLUS INVESTED SINCE DECEMBER 31, 1913, IN PLANT AND EQUIPMENT.

This account should include such amounts of income and surplus as have been definitely appropriated or set aside and expended since December 31, 1913, for extensions or improvements of the company's plant and equipment, such appropriations to include those made for the purpose of discharging the principal (less the discount, if any, suffered at the time of sale) of obligations incurred in the acquisition of any property whose cost is carried in the plant and equipment accounts.

NOTE A.—The amounts credited to this account should be concurrently charged to account No. 332, "Appropriations of income for construction, equipment, and betterments," or No. 415, "Appropriations of surplus for construction, equipment, and betterments."

NOTE B.—This account should not include temporary appropriations for the acquisition of property the cost of which is intended later to be met by an issue of securities, nor appropriations for the payment of obligations which are intended to be replaced by new issues.

177. SURPLUS INVESTED IN SINKING FUNDS.

This account should include appropriations of income and surplus that are specifically invested or set aside in the hands of trustees for sinking and redemption funds, and also accretions to such funds.

178. OTHER SURPLUS RESERVED.

This account should include all appropriations of income and surplus held in reserve, other than appropriations invested since December 31, 1913, in plant and equipment and those invested in sinking funds. A separate subaccount should be raised for each reserve, and the entries in such subaccounts are required to be shown separately in the annual report to the Commission.

This account should include the unexpended balance, if any, of appropriations intended to be invested in plant and equipment, and such appropriations to sinking or redemption fund reserves as are not specifically invested.

179. PROFIT AND LOSS—CREDIT BALANCE.

Under this head should be shown the credit balance, if any, in the Profit and Loss Account. (See sec. 15, p. 15.)

TEXT PERTAINING TO ACCOUNTS FOR INVESTMENT IN PLANT AND EQUIPMENT.

100. PLANT AND EQUIPMENT TO JANUARY 1, 1914.

This general account is a summary of those book accounts which include the plant and equipment of the company installed prior to January 1, 1914, and which is still in service at the date of the balance sheet.

The accounts representing the plant and equipment of the company as carried on its books at the close of December 31, 1913, should be so designated upon the books of the company as to show clearly that they relate only to plant and equipment installed prior to the close of that date. (See sec. 7, p. 11.)

NOTE A.—No debits should be made to such accounts with respect to any property acquired subsequent to December 31, 1913, but the cost of such property should be charged to primary accounts Nos. 200 to 233.

NOTE B.—In the reports to the Commission a statement will be required showing the names of the plant and equipment accounts actually carried by the company on December 31, 1913, and the balances therein at the date of the report.

101. PLANT AND EQUIPMENT SINCE DECEMBER 31, 1913.

This general account is a summary of primary accounts Nos. 200 to 233, inclusive, which include the investment in plant and equipment installed since December 31, 1913. The sum of the balances in accounts Nos. 200 to 233, inclusive, as provided hereinafter, should be shown on the balance-sheet statement under this account. (See sec. 7, p. 11.)

200. ORGANIZATION.

This account should include all fees paid to governments for the privilege of incorporation, and all office and other expenditures incident to organizing the company or other enterprise and putting it in readiness to do business. This includes the cost of preparing and distributing prospectuses, the cost of soliciting subscriptions for stock, cash fees paid to promoters, actual cash value, at the time of organization, of securities paid to promoters for their services in organizing the enterprise, counsel fees, cost of preparing and issuing certificates of stock, cost of procuring certificates of necessity from State authorities, and other like costs. (See account No. 414, p. 54.)

NOTE.—The cost of soliciting for loans or for purchase of bonds or other evidences of indebtedness should not be charged to this account.

201. FRANCHISES.

This account should include the amount (exclusive of any tax or annual charge) actually paid to governments as the consideration for the grant of such franchise or right having a life of more than one year as is necessary to the conduct of the company's telegraph or cable operations, or for the extension of such franchise. If any such franchise is acquired by assignment, the charge to this account in respect thereof

201. FRANCHISES—Continued.

must not exceed the amount actually paid therefor by the company to its assignor nor should it exceed the amount actually paid the Government. (See account No. 652, p. 71.)

NOTE A.—Annual or more frequent payments in respect of franchises should be charged to the appropriate tax or operating expense account.

NOTE B.—Any excess of the amount actually paid by the company over the amount paid by the original grantee to the grantor of the franchise should be charged to account No. 203, "Other intangible capital." If any franchise has a life of not more than one year after the date when it is first exercised by the company, the cost of the franchise should not be charged to this account, but to the appropriate operating expense accounts or, if extending beyond the fiscal year, to account No. 124, "Other prepayments."

202. PATENT RIGHTS.

This account should include the cost of all rights having a life of more than one year from the date when placed in service acquired by the company in or under valid patents granted by governments to inventors for inventions and discoveries in connection with conducting telegraph or cable operations. (See account No. 652, p. 71.)

203. OTHER INTANGIBLE CAPITAL.

This account should include the cost of all property, not covered by the last three preceding accounts, coming within the definition of intangible capital and devoted to telegraph or cable operations. Entries of charges to this account should describe the acquired property with sufficient particularity clearly to identify it, and should also show specifically the principal from whom acquired and all agents representing such principal in the transaction; also the term of life of such property, estimated, if not known, and, if estimated, the facts upon which the estimate is based. (See account No. 414, p. 54.)

204. RIGHT OF WAY.

This account should include the cost of all land and interests in land acquired for the location of wires, cables, pole lines, and conduits; salaries and expenses of purchasing agents; expenses of appraisals and of juries, commissioners, or arbitrators in condemnation cases; notarial fees, real-estate brokers' commissions; cost of plats, abstracts, examination of title, recording deeds, etc.; and cost of assessments for public improvements which are not the property of the accounting company.

This account should also include the first cost of acquiring leaseholds of land for right of way, the terms of which are for more than one year each, whether acquired through direct lease, assignment, or otherwise. If any such leasehold is acquired by assignment, the charge to this account must not exceed the amount actually paid therefor by the accounting company to the assignor.

205. LAND.

This account should include the cost of all land and interests in land, other than right of way, acquired for use in the operation of the telegraph or cable plant, such as land occupied by general and division offices, main, local, branch, or relay telegraph or cable offices, shops, storehouses, stables, and garages. It includes the cost of examination and registration of title, conveyancer's and notary's fees, purchasing agent's commissions or proportion of purchasing agent's salary, taxes accrued to date of transfer of title, and all liens upon the title, when such costs are assumed or paid by the purchaser in its own behalf; cost of assessments for public improvements which add to the value of the lands but which are not the

205. LAND—Continued.

property of the accounting company, including sidewalks on public property; cost of grading land when not done in connection with buildings; costs of obtaining consents and payments for abutting damages; and expenses of condemnation proceedings.

This account should also include the first cost of acquiring leaseholds of land, other than for right of way, the terms of which are for more than one year each, whether acquired through direct lease, assignment, or otherwise. If any such leasehold is acquired by assignment, the charge to this account must not exceed the amount actually paid therefor by the accounting company to the assignor.

NOTE.—Cost of buildings and other improvements should not be included in this account. If at the time of acquisition of an interest in lands such interest extends to buildings or other improvements thereon, which improvements are devoted by the company to telegraph or cable operations, and if the price of such improvements is not determined by the contract, the buildings or improvements should be appraised at their fair cash value for use in such operations, and such appraised value should be charged to account No. 206, "Buildings." If such improvements are devoted to operations other than telegraph or cable or held as investments, the cost (or the appraised value, if the cost is not determined in the contract of acquisition) should be charged to account No. 105, "Miscellaneous investments." If the improvements are removed or wrecked, the salvage, less the cost of removal or wreckage, should be credited to this account.

206. BUILDINGS.

This account should include the cost of all buildings, such as general and division offices, main, local, branch, or relay telegraph or cable offices, shops, storehouses, stables, and garages devoted to the general purposes of the company; also of all permanent fixtures, such as water, steam, and gas pipes and fixtures; electric wiring and fixtures for lighting; elevators and the engines and motors specially provided for operating them; furnaces, boilers, and other apparatus provided for producing steam for such engines and for heating; and electric generators specially provided for producing current for lighting such buildings. This account should include such piers and other foundations for machinery and apparatus as are designed to be as permanent as the buildings in which, or in connection with which they are constructed, and to outlast the first machinery or apparatus mounted thereon.

It also includes the cost of real-estate brokers' commissions, examination and registration of titles, and other expenses, such as architects' fees, and supervision incident to the construction or purchase of buildings; and the cost of grading and cost of sidewalks, fences, hedges, etc., on grounds used in connection with such buildings.

NOTE.—This account should not include any telegraph or cable equipment, wiring, or apparatus for generating or controlling electricity for operation of the telegraph or cable system.

207. TELEGRAPH EQUIPMENT.

This account should include the cost of all electrical, mechanical, or pneumatic equipment in telegraph offices when such equipment is adapted to use in telegraph operations, such as distributing frames, switchboards, and testing apparatus; keys, relays, and sounders; operating tables; automatic transmitting and receiving apparatus; duplex, quadruplex, and repeater apparatus; engines, generators, batteries, air compressors, and other power equipment; pneumatic tubes used for conveying messages in telegraph offices; and other automatic message conveyors. Include herein the cost of all associated interior wiring, cabling, and conduits in telegraph offices.

208. MESSENGER EQUIPMENT.

This account should include the cost of equipment used in the operation of the messenger service, such as call circuit registers, call boxes, associated interior wiring and installation in offices and on subscribers' premises, and accessories; and also, when borne by the company, the cost of messenger uniforms.

209. OTHER EQUIPMENT OF TELEGRAPH OFFICES.

This account should include the cost of business equipment in telegraph offices, such as furniture, typewriters, numbering machines, and other incidental equipment used in the operating room. This account should include also furniture and equipment in managers' offices, in rest and lunch rooms, and in operators' schools; and public office furniture, such as counters, writing desks, and chairs.

210. SUBSCRIBERS' EQUIPMENT.

This account should include the cost (including the expense incident to installation) of telegraph equipment devoted to the use of subscribers, such as telegraph instruments and apparatus, tickers, cables, wires, and conduits on subscribers' premises.

NOTE.—Call boxes and associated interior wiring on subscribers' premises should be included under account No. 208, "Messenger equipment."

211. POLE LINES.

This account should include the cost of poles, towers, cross arms, pins, brackets, braces, guy wire, guy stubs, and other materials used in the construction of telegraph pole lines; also the cost of first clearing right of way.

212. AERIAL CABLE.

This account should include the cost of aerial cables, including the cost of suspension wire, cable clips and rings, cable boxes and fittings, pole seats and platforms, loading coils, pot heads, protectors, sleeves, and other materials used in hanging such cables.

213. AERIAL WIRE.

This account should include the cost of aerial wires, including insulators, sleeves, and other materials used in attaching such wires to the insulators.

214. UNDERGROUND CONDUITS.

This account should include the cost of conduits, including cost of pipe, cement, manholes, manhole furnishings, and other materials used; cost of connections to poles and buildings; and other costs incident to the installation of underground conduits for telegraph lines.

215. UNDERGROUND CABLE.

This account should include the cost of underground cables, cable boxes and fittings, and other materials used in the work of installing underground cables for telegraph lines, including as such, cables leading from main conduits to main, local, branch, or relay telegraph offices or to subscribers' premises.

216. SUBMARINE TELEGRAPH CABLE.

This account should include the cost of submarine cables, cable towers, cable houses or boxes and their appurtenances, when such submarine cables form a part of telegraph lines.

217. PNEUMATIC TUBES.

This account should include the cost of outside pneumatic tubes for telegraph lines, including the metal tubing, encasement, and manholes, and other material used in their construction.

218. FLOATING EQUIPMENT.

This account should include the cost of steamships, steamboats, launches, and other vessels used in the construction and maintenance of telegraph lines. This includes the cost of hulls, rigging, boilers, machinery, special apparatus, and all appurtenances and fixtures necessary to equip such vessels for service.

219. RAILWAY EQUIPMENT.

This account should include the cost of officers' cars, and of motor, bunk, pole, and hand cars, velocipedes, and other railway equipment used in the construction and maintenance of telegraph lines; also all appurtenances and fixtures necessary to equip such cars for service.

220. CABLE EQUIPMENT.

This account should include the cost of all electrical, mechanical, or pneumatic equipment in cable offices, such as switchboards and testing apparatus, keys and sounders, operating tables, perforators and recorders, power equipment, and pneumatic tubes and other message conveyors. Include herein the cost of all associated interior wiring, cabling, and conduits in cable offices.

221. OTHER EQUIPMENT OF CABLE OFFICES.

This account should include the cost of business equipment in cable offices, such as furniture, typewriters, numbering machines, and other incidental equipment used in the operating room. This account should include also the furniture and equipment in managers' offices, in rest and lunch rooms, and in operators' schools; and public office furniture, such as counters, writing desks, and chairs.

222. CABLE LINES.

This account should include the cost of cable lines, including submarine and underground cables, conduits, pole lines, aerial cables, aerial wires, and all appurtenances, when such lines are used exclusively in the operation of ocean cables.

223. CABLE FLOATING EQUIPMENT.

This account should include the cost of steamships, steamboats, launches, and other vessels used in the construction and maintenance of ocean cables. This includes the cost of hulls, rigging, boilers, machinery, special apparatus, and all appurtenances and fixtures necessary to equip such vessels for service.

224. OFFICE FURNITURE AND FIXTURES.

This account should include the cost of desks, tables, chairs, carpets, cases, movable partitions, railings, shelves, typewriters, addressing machines, adding machines, and other office devices; stoves, portable gas and electric fixtures, and other office fittings not considered a part of the building and not telegraph, messenger, and cable equipment provided for in accounts Nos. 207, 208, 209, 220, and 221. (See general note under account No. 228.)

225. GENERAL SHOP EQUIPMENT.

This account should include the cost of all equipment specially provided for general shops, such as engines, gas producers, electric generators, other power apparatus used in operating machinery in such shops, machine tools, shafting, belts, and like shop equipment; also such smithing equipment in general shops as is used principally for general purposes other than shoeing horses and repairing vehicles.

Portable tools and apparatus of special value may be charged to this account and remain herein so long as record is kept of such tools and apparatus. (See general note under account No. 228.)

226. GENERAL STORE EQUIPMENT.

This account should include the cost of all equipment of general store structures, such as movable counters, movable shelving, and other movable equipment of like nature; carts, barrows, trucks, tools, and other apparatus and appliances used in handling, storing, or packing materials and supplies. (See general note under account No. 228.)

NOTE.—Counters, shelving, and the like which are permanently attached to the structure should be charged to account No. 206, "Buildings."

227. GENERAL STABLE AND GARAGE EQUIPMENT.

This account should include the cost of equipment of stables and garages, including horses, harness, drays, wagons, automobiles, and other vehicles; also equipment of shoeing shops, harness repair shops, vehicle repair shops, etc. (See general note under account No. 228.)

228. GENERAL TOOLS AND IMPLEMENTS.

This account should include the cost of portable testing apparatus and valuable tools and implements devoted to the maintenance or construction of the telegraph or cable plant and not provided for in the equipment accounts.

NOTE.—This account should not include tools not yet in use carried as supplies unissued, nor any small hand tools provided for in clearing account No. 703, "Tool expense."

GENERAL NOTE TO ACCOUNTS 224 TO 228.—Items of small value or short life, such as portable tools liable to be lost or stolen, temporary shelving, waste baskets, and brooms, should be charged directly to operating expense accounts or to clearing accounts.

229. INTEREST DURING CONSTRUCTION.

This account should include the interest accrued upon all moneys (and credits available upon demand) devoted to the construction and equipment of the property from the time of such devotion until the construction is ready for use, and such proportion of the discount and expense on funded debt as is equitably assignable to the period between the date of the issuance of securities and the time when the property acquired, or the improvement made through such issuance, becomes available for the service for which it is intended. The proportion of interest, discount, and expense thus chargeable should be that which the period prior to the completion or coming into service of the facilities or improvements constructed bears to the entire life of the securities issued. (See sec. 9, p. 12.)

Interest receivable accrued upon such moneys (and upon such credits) should be credited to this account. If any property with respect to which an interest charge is included in this account is withdrawn or retired from service, the amount of such interest (estimated, if not

229. INTEREST DURING CONSTRUCTION—Continued.

known) should be credited to this account and charged off as a part of the original cost of the property so retired.

NOTE.—No interest upon expenditures for replacements or reconstruction should be included in this account unless proper credits are made to the appropriate plant and equipment accounts for any interest included in such accounts in respect of the property retired or withdrawn.

230. UNDISTRIBUTED ENGINEERING AND SUPERINTENDENCE.

This account should include expenditures for services and expenses of engineers, draftsmen, and superintendents employed on preliminary and construction work, including instruments and supplies, when such expenditures can not be assigned to specific construction accounts.

231. UNDISTRIBUTED LAW EXPENDITURES.

This account should include, when not chargeable directly to the account for which incurred, general law expenditures incurred in the construction of the telegraph or cable plant, such as the pay and expenses of counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; the cost of printing briefs, legal forms, testimony, reports, etc.; payments to arbitrators for the settlement of disputed questions; cost of suits, payments of special fees, notarial fees, witness fees, and other court expenses

NOTE.—If separable, expenditures incurred in connection with the acquisition of right of way should be charged to account No. 204, "Right of way," those incurred in the acquisition of other land to account No. 205, "Land," and those incurred in connection with the organization of the corporation to account No. 200, "Organization."

232. TAXES DURING CONSTRUCTION.

This account should include all taxes and assessments levied and paid on property belonging to the company while under construction and before the plant is opened for operation, except special taxes assessed for improvements.

NOTE.—Special taxes assessed for street and other improvements, such as grading, sewerage, curbing, guttering, paving, and sidewalks, should be charged to the account to which the property benefited is charged.

233. MISCELLANEOUS CONSTRUCTION EXPENDITURES.

This account should include items which can not properly be charged to any other plant and equipment account, such as salaries and expenses of executive and general officers of the company before it is ready to begin operations and of clerks in general offices engaged on construction accounts or work; rent and repair of general offices when rented, with the office expenses; insurance premiums during construction; also other construction and equipment items of a special and incidental nature.

This account may include a suitable proportion of supply expense (as defined in account No. 704) applicable to construction, when not assignable to specific materials.

NOTE.—This account should not include any costs of organization, or any costs or discounts connected with the issue and disposal of stocks, bonds, or other securities, or commercial paper.

INCOME STATEMENT.

I. OPERATING INCOME.

	Page.
300. TELEGRAPH AND CABLE OPERATING REVENUES.....	45
301. TELEGRAPH AND CABLE OPERATING EXPENSES.....	45
NET TELEGRAPH AND CABLE OPERATING REVENUES (OR DEFICIT).	
302. OTHER OPERATING REVENUES.....	45
303. OTHER OPERATING EXPENSES.....	45
NET REVENUE (OR DEFICIT) FROM MISCELLANEOUS OPERATIONS.	
304. UNCOLLECTIBLE OPERATING REVENUES.....	45
305. TAXES ASSIGNABLE TO OPERATIONS.....	46
OPERATING INCOME (OR LOSS).	

II. NONOPERATING INCOME.

310. INCOME FROM LEASE OF PLANT.....	46
311. MISCELLANEOUS RENT INCOME.....	46
312. DIVIDEND INCOME.....	46
313. INTEREST INCOME.....	47
314. SINKING AND OTHER RESERVE FUND ACCRETIONS.....	47
315. PROFITS FROM OPERATIONS OF OTHERS.....	47
316. MISCELLANEOUS NONOPERATING INCOME.....	47
GROSS INCOME (OR LOSS).	

III. DEDUCTIONS FROM GROSS INCOME.

320. RENT FOR LEASE OF PLANT.....	48
321. MISCELLANEOUS RENTS.....	48
322. INTEREST ON FUNDED DEBT.....	48
323. OTHER INTEREST DEDUCTIONS.....	48
324. NONOPERATING TAXES.....	48
325. LOSS ON OPERATIONS OF OTHERS.....	48
326. AMORTIZATION OF DEBT DISCOUNT AND EXPENSE.....	49
327. RELEASE OF PREMIUMS ON DEBT—CR.....	49
328. MISCELLANEOUS DEDUCTIONS FROM INCOME.....	49
NET INCOME (OR LOSS).	

IV. DISPOSITION OF NET INCOME.

330. APPROPRIATIONS OF INCOME TO SINKING AND OTHER RESERVE FUNDS.....	49
331. DIVIDEND APPROPRIATIONS OF INCOME.....	49
332. APPROPRIATIONS OF INCOME FOR CONSTRUCTION, EQUIPMENT, AND BET- TERMENTS.....	50
333. MISCELLANEOUS APPROPRIATIONS OF INCOME.....	50
INCOME BALANCE TRANSFERRED TO CREDIT (OR DEBIT) OF PROFIT AND LOSS ACCOUNT.	

TEXT PERTAINING TO ACCOUNTS IN THE INCOME STATEMENT.

I. OPERATING INCOME.

300. TELEGRAPH AND CABLE OPERATING REVENUES.

This account should include the total operating revenues derived from the telegraph and cable operations of the company for the period covered by the income statement. (For the primary operating revenue accounts, see pp. 59 to 61.)

301. TELEGRAPH AND CABLE OPERATING EXPENSES.

This account should include the total operating expenses of the telegraph and cable operations of the company for the period covered by the income statement. (For the primary operating expense accounts, see pp. 65 to 71.)

302. OTHER OPERATING REVENUES.

This account should include the total revenues of the company derived from operations other than telegraph and cable operations, for the period covered by the income statement. This account includes the revenue derived from the operation of property carried in balance-sheet account No. 105, "Miscellaneous investments," when such property is operated by the accounting company.

303. OTHER OPERATING EXPENSES.

This account should include the total expenses of operations other than telegraph and cable operations for the period covered by the income statement. This account includes the expenses of the operation of property carried in balance-sheet account No. 105, "Miscellaneous investments," when such property is operated by the accounting company.

304. UNCOLLECTIBLE OPERATING REVENUES.

This account should include the amount of any accounts for telegraph, cable, and other services which, after a reasonably diligent effort to collect, have proved impracticable of collection. This account should include only uncollectible bills for amounts which have been treated as operating revenues.

This account may include monthly charges, based upon estimates, to create a reserve for uncollectible bills, provided such reserve is adjusted annually in accordance with the experience of the accounting company. Such amounts should be credited to account No. 172, "Reserve for doubtful accounts," against which should be charged bills that have proved impracticable of collection.

NOTE.—Uncollectible bills for amounts which have not been treated as operating revenues should be charged to account No. 328, "Miscellaneous deductions from income," or to Profit and Loss Account, as may be appropriate.

305. TAXES ASSIGNABLE TO OPERATIONS.

This account should include Federal, State, county, municipal, and other taxing-district taxes relating to telegraph and cable property, operations, and privileges for the period for which the Income Account is stated; also annual or more frequent payments in respect of franchises. This account should also include the taxes on other property and operations, the revenues and expenses of which are included in accounts Nos. 302 and 303, respectively. (See sec. 14, p. 14.)

II. NONOPERATING INCOME.

310. INCOME FROM LEASE OF PLANT.

This account should include all income accrued from the company's interest in telegraph or cable plant (including the equipment and other property covered by the contract) held by others under some form of lease whereby the company surrenders possession of such property for operating purposes.

This account should include the entire amount of rent (except taxes) receivable by the lessor according to the terms of lease or other agreement, whether it is paid to the lessor in cash or is disbursed by the lessee for the account of the lessor as interest on funded debt, guaranteed dividends on stock, or otherwise.

This account is intended to cover only rents receivable for the use of an entire telegraph or cable plant or an important section of a telegraph or cable plant.

When the lessor company maintains the plant and equipment leased, the cost of maintaining the property rented should be charged to this account.

311. MISCELLANEOUS RENT INCOME.

This account should include the income accruing to the company as a return upon rented property, other than telegraph or cable plant provided for in account No. 310.

This account should include such items as the rent from lands, buildings, wires, instruments, ducts, short portions of pole lines, and short sections of conduits.

To this account should be charged the cost of maintenance of the property rented, also incidental expenses in connection with such property, such as the cost of negotiating contracts, advertising for tenants, fees paid conveyancers, collectors' commissions, and analogous items.

NOTE.—If the property rented is so intimately connected with property used in the company's telegraph or cable operations that the expenses of the former can not be ascertained, the revenues should be credited to account No. 520 or No. 521 as may be appropriate, and the expenses in connection with the rented property should be included in operating expenses.

312. DIVIDEND INCOME.

This account should include dividends declared on stocks, the income from which is the property of the accounting company, whether such stocks are owned by the accounting company and held in its treasury or deposited in trust, or are controlled through lease or otherwise. Accruals of guaranteed dividends may be included in this account if their payment is reasonably assured.

NOTE A.—This account should not include credits for dividends on stocks issued or assumed by the accounting company and owned by it, whether held in its

312. DIVIDEND INCOME—Continued.

treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

NOTE B.—Dividends on stocks of other companies held in sinking or other reserve funds should be credited to account No. 314, "Sinking and other reserve fund accretions."

313. INTEREST INCOME.

This account should include interest on bonds and other funded securities and on debenture stock of other companies, the income from which is the property of the accounting company, whether such securities are owned by the accounting company and held in its treasury or deposited in trust; or are controlled through lease or otherwise; also interest on notes, bank balances, and open accounts; discount on short-term notes and other analogous items. Interest accrued should not be credited unless its payment is reasonably assured by past experience, guaranty, anticipated provision, or otherwise; in other cases the credit to this account should be based upon the interest actually collected.

At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the discount or premium on funded securities of other companies.

NOTE A.—This account should not include amounts under the name or in the form of interest on funded securities issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

NOTE B.—Interest on funded securities of other companies held in sinking or other reserve funds should be included in account No. 314, "Sinking and other reserve fund accretions."

314. SINKING AND OTHER RESERVE FUND ACCRETIONS.

This account should include income accruing on cash, securities, and other assets in the hands of the trustees or specifically set aside for sinking and other reserve funds, other than securities issued or assumed by the accounting company.

At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the discount or premium on funded securities of other companies held in sinking or other reserve funds.

NOTE.—If the income on any special fund is retained in the fund and if the fund is represented by a reserve, the amounts credited to this account in respect to such income should be concurrently charged to account No. 330, "Appropriations of income to sinking and other reserve funds," and credited to the appropriate reserve account or accounts.

315. PROFITS FROM OPERATIONS OF OTHERS.

This account should include income accruing to the accounting company from operations of others whenever in accordance with the terms of any contract the company is entitled to participate in the profits from such source.

NOTE.—This account should not include dividends or other returns upon securities issued by such separately operating company.

316. MISCELLANEOUS NONOPERATING INCOME.

This account should include all nonoperating income not provided for in the foregoing accounts.

III. DEDUCTIONS FROM GROSS INCOME.

320. RENT FOR LEASE OF PLANT.

This account should include all amounts accrued against the company for rent of telegraph or cable plant (including the equipment and other property covered by the contract) which it holds under some form of lease from another, and of which it has exclusive possession for operating purposes.

This account should include the entire amount of rent (except taxes) payable by the lessee according to the terms of lease or other agreement, whether it is paid to the lessor in cash or is disbursed by the lessee for the account of the lessor as interest on funded debt, guaranteed dividends on stock, or otherwise.

This account is intended to cover only the rents payable for the use of an entire telegraph or cable plant or an important section of a telegraph or cable plant.

321. MISCELLANEOUS RENTS.

This account should include amounts accrued as due for rents of wires, ducts, conduits, subways, land, pole lines as supports for wire, and other property not provided for elsewhere, when leased for more than one year.

NOTE.—Rents for similar property when for periods of one year or less should be charged to account No. 607, "Minor rents for property."

322. INTEREST ON FUNDED DEBT.

This account should include the current accruals of interest on all classes of unmatured funded debt issued or assumed by the accounting company; interest on receiver's certificates issued for a term of more than one year; and interest accruals on debenture stock.

NOTE A.—Interest accruing on funded securities after maturity should be included in account No. 323, "Other interest deductions."

NOTE B.—This account should not include amounts under the name or in the form of interest on securities held by the company in its treasury, in sinking or other reserve funds, or pledged as collateral. If any of the funded debt securities issued or assumed by the company are held in its sinking or other reserve funds, other than funds covered by account No. 120, "Provident fund assets," and amounts are assigned to such funds under the name or in the form of interest on such securities, such amounts should not be charged to this account as interest on funded debt, but to account No. 330, "Appropriations of income to sinking and other reserve funds."

323. OTHER INTEREST DEDUCTIONS.

This account should include all interest accrued on unfunded debt, such as notes payable on demand or having dates of maturity one year or less from date of issue, discount on short-term notes, interest on open accounts, and other analogous items; also interest accruing on funded debt securities after maturity of debt.

324. NONOPERATING TAXES.

This account should include all taxes accrued other than those provided for in account No. 305, "Taxes assignable to operations," such as taxes on securities owned, taxes on income from securities owned, taxes on nonoperated property, and analogous items.

325. LOSS ON OPERATIONS OF OTHERS.

This account should include all liabilities accruing against the company whenever, in accordance with the terms of any contract, the company is bound to contribute toward reimbursement of the losses resulting from the operations of others.

326. AMORTIZATION OF DEBT DISCOUNT AND EXPENSE.

Charge to this account during each fiscal period that proportion of the unamortized discount and expense on outstanding funded debt which is applicable to the period. (See sec. 5, p. 10.)

327. RELEASE OF PREMIUMS ON DEBT—Cr.

Credit to this account during each fiscal period the proportion of the premium at which outstanding funded debt was issued which is applicable to the period. (See sec. 5, p. 10.)

328. MISCELLANEOUS DEDUCTIONS FROM INCOME.

This account should include all items not provided for elsewhere properly chargeable to gross income for the fiscal period. Among other items it should include deductions from gross income which are in the nature of fixed charges and are not otherwise provided for, such as those required by the terms of some contract, agreement, law, or ordinance. This account should not include any appropriations of income that rest solely in the discretion of the accounting company.

IV. DISPOSITION OF NET INCOME.**330. APPROPRIATIONS OF INCOME TO SINKING AND OTHER RESERVE FUNDS.**

This account should include amounts of income appropriated for sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of income or for the payment of definite sums into sinking and other reserve funds, and for accretions to such funds on account of income from previous investments, may be made the bases of such appropriations.

The appropriations for payments or accretions to the funds may include (1) direct payments, (2) amounts assigned under the name or in the form of interest or dividends on securities issued or assumed by the accounting company and held in such funds, (3) income from investments in securities held in such funds other than those issued or assumed by the accounting company, and (5) income from cash and other property held in such funds.

NOTE A.—The amounts charged to this account should be concurrently credited to the appropriate reserve account or accounts.

NOTE B.—If appropriations for direct payments are made from surplus, they should be charged to account No. 411, "Appropriations of surplus to sinking and other reserve funds."

331. DIVIDEND APPROPRIATIONS OF INCOME.

This account should include amounts definitely declared payable from income as dividends on actually outstanding capital stock issued or assumed by the accounting company, other than debenture stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock. (See account No. 150.)

NOTE A.—The payments of interest on debenture stock should be charged to account No. 322, "Interest on funded debt."

NOTE B.—This account should not include charges under the name or in the form of dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking

331. DIVIDEND APPROPRIATIONS OF INCOME—Continued.

or other reserve funds, or pledged as collateral. (See account No. 330, "Appropriations of income to sinking and other reserve funds.")

NOTE C.—This account should be used unless appropriations are definitely made chargeable to surplus, in which case they should be charged to account No. 412, "Dividend appropriations of surplus."

332. APPROPRIATIONS OF INCOME FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.

This account should include amounts appropriated from income for construction and equipment and for betterments of property carried in plant and equipment accounts.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve.

NOTE.—This account should be used unless appropriations are definitely made chargeable to surplus, in which case they should be charged to account No. 415, "Appropriations of surplus for construction, equipment, and betterments."

333. MISCELLANEOUS APPROPRIATIONS OF INCOME.

This account should include appropriations of income not provided for elsewhere.

NOTE.—This account should be used unless appropriations are definitely made chargeable to surplus, in which case they should be charged to account No. 416, "Miscellaneous appropriations of surplus."

PROFIT AND LOSS ACCOUNT.

I. CREDITS.

	Page.
BALANCE (AT BEGINNING OF FISCAL PERIOD).	
400. CREDIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.....	53
401. MISCELLANEOUS CREDITS.....	53
BALANCE DEBIT (AT END OF FISCAL PERIOD) CARRIED TO BALANCE SHEET.	

II. DEBITS.

BALANCE (AT BEGINNING OF FISCAL PERIOD).	
410. DEBIT BALANCE TRANSFERRED FROM INCOME ACCOUNT	53
411. APPROPRIATIONS OF SURPLUS TO SINKING AND OTHER RESERVE FUNDS..	53
412. DIVIDEND APPROPRIATIONS OF SURPLUS	54
413. REALIZED DEPRECIATION NOT COVERED BY RESERVES.....	54
414. AMORTIZATION UNPROVIDED FOR ELSEWHERE.....	54
415. APPROPRIATIONS OF SURPLUS FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.....	54
416. MISCELLANEOUS APPROPRIATIONS OF SURPLUS.....	54
417. MISCELLANEOUS DEBITS.....	55
BALANCE CREDIT (AT END OF FISCAL PERIOD) CARRIED TO BALANCE SHEET.	

TEXT PERTAINING TO PROFIT AND LOSS ACCOUNTS.

I. CREDITS.

400. CREDIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.

Under this title should be shown the amount of net income brought forward from the Income Account.

401. MISCELLANEOUS CREDITS.

This account should include amounts, not provided for elsewhere, transferred to Profit and Loss from other accounts, and amounts representing increases in resources not properly assignable to the income of the fiscal period for which the accounts are stated. Among the items which should be credited to this account are—

Adjustment or cancellation of old balance-sheet accounts,

Profits derived from the sale of property carried in account No. 105, "Miscellaneous investments,"

Credits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost less than the par value,

Premium on capital stock at the time of its reacquirement,

Unextinguished premiums on funded debt reacquired before maturity.

II. DEBITS.

410. DEBIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.

Under this title should be shown the amount of net loss brought forward from the Income Account.

411. APPROPRIATIONS OF SURPLUS TO SINKING AND OTHER RESERVE FUNDS.

This account should include amounts definitely appropriated from surplus and applied to sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of surplus or for the payment of definite amounts into sinking and other reserve funds may be made the basis of such appropriations.

If appropriations are made from surplus to cover sums equivalent to dividends on stock issued or assumed by the accounting company and held in such funds the amounts of such appropriations may be included in this account.

NOTE A.—If similar appropriations are made from income, they should be charged to account No. 330, "Appropriations of income to sinking and other reserve funds."

NOTE B.—If appropriations are made to cover the income accruing on sinking fund assets and to cover amounts equivalent to interest on securities issued or assumed by the accounting company and held in such funds, the amounts of such appropriations should be included in account No. 330, "Appropriations of income to sinking and other reserve funds." If appropriations are made from income to cover sums equivalent to dividends on stock issued or assumed by the accounting company and held in such funds, the amounts of such appropriations may be included in account No. 330.

NOTE C.—The amounts charged to this account should be concurrently credited to the appropriate reserve account or accounts.

412. DIVIDEND APPROPRIATIONS OF SURPLUS.

This account should include amounts definitely declared payable from surplus as dividends on actually outstanding capital stock issued or assumed by the accounting company, other than debenture stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock. (See account No. 150.)

NOTE A.—Interest accrued on debenture stock should be charged to account No. 322, "Interest on funded debt."

NOTE B.—This account should not include charges under the name or in the form of dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, in sinking or other reserve funds, or pledged as collateral. (See account No. 411, "Appropriations of surplus to sinking and other reserve funds.")

NOTE C.—If similar appropriations are made from income, they should be charged to account No. 331, "Dividend appropriations of income."

413. REALIZED DEPRECIATION NOT COVERED BY RESERVES.

This account should include the realized depreciation (the difference between the original cost and the salvage, if any) on tangible property retired, if such depreciation has not been provided for through a depreciation reserve. This includes such portion of the realized depreciation on any physical property which was installed prior to the period for which the reserve was established as is due to life in service before that date. This portion may be estimated on the basis of the proportion which the life in service of the property in question prior to the period for which the reserve was established bears to its entire life in service. (See sec. 21, p. 16.)

414. AMORTIZATION UNPROVIDED FOR ELSEWHERE.

Charge to this account, when any intangible property expires or is relinquished, such portion of its cost as has not been previously written off or provided for in account No. 171, "Reserve for amortization of intangible capital." Charge also to this account all optional amortization, such as that of assets carried in accounts No. 200, "Organization," and No. 203, "Other intangible capital."

415. APPROPRIATIONS OF SURPLUS FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.

This account should include amounts appropriated from surplus for construction and equipment and for betterments of property carried in the plant and equipment accounts.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve.

NOTE.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 332, "Appropriations of income for construction, equipment, and betterments."

416. MISCELLANEOUS APPROPRIATIONS OF SURPLUS.

This account should include appropriations of surplus not provided for elsewhere.

NOTE.—This account should be used when the appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 333, "Miscellaneous appropriations of income."

417. MISCELLANEOUS DEBITS.

This account should include amounts transferred from Profit and Loss to other accounts and not provided for elsewhere, amounts written off in consequence of adjustments, and payments not properly chargeable to Income for the fiscal period for which the accounts are stated. Among the items which should be charged to this account are—

Adjustment or cancellation of old balance-sheet accounts,

Losses resulting from the sale, destruction, or retirement of property carried in account No. 105, "Miscellaneous investments,"

Losses resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost exceeding the par value,

Deductions made to extinguish discount on capital stock,

Deductions made to amortize debt discount and expense.

NOTE.—A complete analysis of this account will be required in the annual reports of the company to the Commission.



OPERATING REVENUE ACCOUNTS.

I. REVENUES FROM TRANSMISSION—TELEGRAPH.

	Page.
500. COMMERCIAL TELEGRAPH TOLLS.....	59
501. TELEGRAPH TOLLS ON CABLE MESSAGES.....	59
502. GOVERNMENT TELEGRAPH TOLLS.....	59
503. PRESS TELEGRAPH TOLLS.....	59
504. MONEY TRANSFER TOLLS.....	59
505. STOCK AND COMMERCIAL NEWS REVENUES.....	59
506. OTHER TELEGRAPH TRANSMISSION REVENUES.....	59
507. TELEPHONE TRANSMISSION TOLLS—Dr.....	60

II. REVENUES FROM TRANSMISSION—CABLE.

510. COMMERCIAL CABLE TOLLS.....	60
511. GOVERNMENT CABLE TOLLS.....	60
512. PRESS CABLE TOLLS.....	60
513. OTHER CABLE TRANSMISSION REVENUES.....	60

III. REVENUES FROM OPERATIONS OTHER THAN TRANSMISSION.

520. RENTS FROM LEASED WIRES.....	60
521. RENTS FROM OTHER OPERATED PROPERTY.....	60
522. MONEY TRANSFER PREMIUMS.....	61
523. MESSENGER SERVICE REVENUES.....	61
524. TIME SERVICE REVENUES.....	61
525. OTHER NONTRANSMISSION REVENUES.....	61

IV. CONTRACT PAYMENTS TO TRANSPORTATION COMPANIES.

530. CONTRACT REVENUES—Dr.....	61
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TEXT PERTAINING TO OPERATING REVENUE ACCOUNTS.

I. REVENUES FROM TRANSMISSION—TELEGRAPH.

500. COMMERCIAL TELEGRAPH TOLLS.

This account should include all revenues derived from the transmission of telegraph messages at commercial rates; also from transmission of telegraph messages at government rates, when collection is made at local offices. This includes the revenues on messages handled exclusively by the accounting company; also the company's proportion of revenues on through messages handled jointly with land-line telegraph, wireless telegraph, telephone, and other companies.

NOTE.—Land-line telegraph companies' earnings on cable messages should be included in account No. 501, "Telegraph tolls on cable messages."

501. TELEGRAPH TOLLS ON CABLE MESSAGES.

This account should include all revenues of land-line telegraph companies derived from the transmission of cable messages over land lines at commercial rates. The revenue to be credited to this account may be based on the local rates of the land-line telegraph company or on its proportion of through rates.

502. GOVERNMENT TELEGRAPH TOLLS.

This account should include all revenues derived from the transmission of messages at government rates when settlements for such messages are made through the general offices of the company, including telegraph messages and land-line transmission of wireless and cable messages.

503. PRESS TELEGRAPH TOLLS.

This account should include all revenues derived from the transmission of press messages at other than commercial rates, including telegraph messages and land-line transmission of wireless and cable press messages.

504. MONEY TRANSFER TOLLS.

This account should include all revenues derived from the transmission of messages incident to the transfer of money, including telegraph messages and land-line transmission of wireless and cable messages.

NOTE.—The premiums on the money transferred should be credited to account No. 522, "Money transfer premiums."

505. STOCK AND COMMERCIAL NEWS REVENUES.

This account should include all revenues derived from the transmission or sale of stock and other market reports, sporting news, election returns, marine reports, and similar items.

506. OTHER TELEGRAPH TRANSMISSION REVENUES.

This account should include all revenues derived from the transmission of telegraph messages and not provided for elsewhere.

507. TELEPHONE TRANSMISSION TOLLS—DR.

This account should include charges for amounts due telephone companies for the transmission of telegrams and cablegrams over telephone lines. The amounts so chargeable may be the telephone companies' proportions of the through rate or may be the telephone companies' charges for toll or exchange service.

NOTE.—If telephones installed for the transaction of ordinary business are used only incidentally for the transmission of telegrams or cablegrams, the entire expense of such telephones may be charged to the appropriate operating expense accounts and no charge need be made to this account.

II. REVENUES FROM TRANSMISSION—CABLE.**510. COMMERCIAL CABLE TOLLS.**

This account should include all revenues derived from the transmission of messages by ocean cable lines at commercial rates; also from transmission of messages at government rates, when collection is made at local offices. The revenue to be credited to this account may be based on the rates of the company for cable service or on the proportion of through rates for cable and land-line telegraph service.

511. GOVERNMENT CABLE TOLLS.

This account should include all revenues derived from the transmission of messages by ocean cable lines at government rates, when settlements for such messages are made through the general offices of the company.

512. PRESS CABLE TOLLS.

This account should include all revenues derived from the transmission of press messages by ocean cable lines at other than commercial rates.

513. OTHER CABLE TRANSMISSION REVENUES.

This account should include all revenues derived from the transmission of messages by ocean cable lines and not provided for elsewhere.

III. REVENUES FROM OPERATIONS OTHER THAN TRANSMISSION.**520. RENTS FROM LEASED WIRES.**

This account should include all revenues accruing as rent from wires used by telegraph companies, telephone companies, brokers, and others, when the expense of maintaining such wires can not be separated from the maintenance of lines used by the company.

NOTE.—If the expenses on the leased wires can be ascertained, the rents received and the expenses in connection with such wires should be included in account No. 311, "Miscellaneous rent income."

521. RENTS FROM OTHER OPERATED PROPERTY.

This account should include all revenues accruing as rent for the use by others of lands, buildings, poles, conduits, and other property except wires, when such property is used also by the company and the expense of maintaining and operating the rented portion can not be separated from the total expense.

NOTE.—If the expenses on the rented property can be ascertained, the rents received and the expenses in connection with such property should be included in account No. 311, "Miscellaneous rent income."

522. MONEY TRANSFER PREMIUMS.

This account should include revenues derived from premiums on money transferred by telegraph or ocean cable.

NOTE.—The tolls for the transmission of messages incident to money transfers should be credited to account No. 504, "Money transfer tolls," or to account No. 510, "Commercial cable tolls."

523. MESSENGER SERVICE REVENUES.

This account should include all revenues derived from messenger service when such service is not included in the rate charged for the transmission of messages.

524. TIME SERVICE REVENUES.

This account should include all revenues accruing for self-winding clock and other time service.

525. OTHER NONTRANSMISSION REVENUES.

This account should include all nontransmission operating revenues not provided for elsewhere. This includes the profit on condensation of money-transfer messages for transmission by wireless and ocean cable.

IV. CONTRACT PAYMENTS TO TRANSPORTATION COMPANIES.**530. CONTRACT REVENUES—DR.**

This account should include payments to transportation companies covering the proportion of receipts due such companies under the provisions of operating contracts.

OPERATING EXPENSE ACCOUNTS.

I. MAINTENANCE.

	Page.
600. SUPERVISION OF MAINTENANCE.....	65
601. REPAIRS OF OFFICE EQUIPMENT.....	65
602. REPAIRS OF AERIAL PLANT.....	65
603. REPAIRS OF UNDERGROUND PLANT.....	66
604. REPAIRS OF OCEAN CABLE LINES.....	66
605. REPAIRS OF BUILDINGS AND GROUNDS.....	66
606. TESTING AND REGULATING.....	66
607. MINOR RENTS FOR PROPERTY.....	66
608. DEPRECIATION OF PLANT AND EQUIPMENT.....	66
609. EXTRAORDINARY DEPRECIATION.....	66
610. OTHER MAINTENANCE EXPENSES.....	66
611. REPAIRS CHARGED TO RESERVES—Cr.....	67

II. CONDUCTING OPERATIONS.

620. SUPERVISION OF OPERATIONS.....	67
621. OPERATORS.....	67
622. TELEGRAPH AND CABLE OFFICE CLERKS.....	67
623. MESSENGER SERVICE EXPENSES.....	67
624. OPERATING POWER.....	67
625. RENTS OF TELEGRAPH AND CABLE OFFICES.....	68
626. TELEGRAPH AND CABLE OFFICE STATIONERY AND PRINTING.....	68
627. OPERATORS' SCHOOLING.....	68
628. REST AND LUNCH ROOMS.....	68
629. MISCELLANEOUS TELEGRAPH AND CABLE OFFICE EXPENSES.....	68
630. OBTAINING STOCK AND COMMERCIAL NEWS.....	68
631. TELEPHONE COMPANY SERVICE.....	68
632. COMMISSIONS.....	68
633. ADVERTISING AND SOLICITING.....	69
634. TRAFFIC DAMAGES.....	69
635. OTHER CONDUCTING OPERATIONS EXPENSES.....	69

III. GENERAL AND MISCELLANEOUS.

640. SALARIES OF GENERAL OFFICERS.....	69
641. SALARIES OF GENERAL OFFICE CLERKS.....	69
642. EXPENSES OF GENERAL OFFICERS AND CLERKS.....	69
643. GENERAL STATIONERY AND PRINTING.....	69
644. OTHER GENERAL OFFICE SUPPLIES AND EXPENSES.....	69
645. GENERAL LAW EXPENSES.....	69
646. INSURANCE.....	70
647. ACCIDENTS AND DAMAGES.....	70
648. LAW EXPENSES CONNECTED WITH DAMAGES.....	70
649. RELIEF DEPARTMENT AND PENSIONS.....	70
650. FRANCHISE REQUIREMENTS.....	71
651. VALUATION EXPENSES.....	71
652. AMORTIZATION OF FRANCHISES AND PATENTS.....	71
653. OTHER GENERAL EXPENSES.....	71
654. FRANCHISE REQUIREMENTS—Cr.....	71

TEXT PERTAINING TO OPERATING EXPENSE ACCOUNTS.

I. MAINTENANCE.

NOTE APPLICABLE TO ALL MAINTENANCE ACCOUNTS.—If a company conducts both telegraph land-line operations and ocean cable operations, each of the primary maintenance expense accounts relating to both classes of operations should be subdivided so as to show separately the expenses for each of the two classes of operations.

600. SUPERVISION OF MAINTENANCE.

This account should include the pay and office and traveling expenses of officers and their assistants when directly in charge of maintenance, including general, division, and district plant superintendents, engineers, architects, and their office and field forces, but not including foremen and superintendents of repair gangs; also that portion of the salaries and expenses of the general engineering staff of the company which is assignable to maintenance.

It should also include the cost of repairs of drafting and engineering instruments and the original cost of such instruments as are not properly chargeable to the plant and equipment accounts; the cost of office and other supplies (including postage, stationery, and printing) used by officers and employees whose salaries are charged to this account; rent and repairs of rented offices; and janitor service, light, heat, and miscellaneous office expenses where separate offices are maintained for such employees.

601. REPAIRS OF OFFICE EQUIPMENT.

This account should include the cost of repairs of telegraph, messenger, or cable equipment in main, local, branch, or relay telegraph or cable offices or on subscribers' premises. It includes the cost of repairs of electrical, mechanical, or pneumatic equipment in offices, such as distributing frames, switchboards, and testing apparatus; keys, relays, and sounders; operating tables; automatic transmitting and receiving apparatus; duplex, quadruplex, and repeater apparatus; engines, generators, batteries, air compressors, and other power equipment; pneumatic tubes in telegraph offices and other automatic message conveyors; interior wiring, cabling, and conduits; also the cost of repairs of call registers, call boxes, and accessories; and of office furniture and other equipment of telegraph and cable offices.

602. REPAIRS OF AERIAL PLANT.

This account should include the cost of repairs of telegraph plant classed as aerial plant, such as poles, towers, cross arms, pins, brackets, and other pole fixtures; braces, guy wires, guy stubs, and other pole supports; aerial cables, and the suspension wires, bolts, clamps, rings, hangers, etc., used to attach cables to poles, towers, or other supports; cable boxes and their appurtenances; and aerial wires, tie wires, insulators, and sleeves. It includes also the cost of trimming trees and clearing and removing obstructions from right of way for aerial plant, other than the first cost.

NOTE.—The cost of first clearing of right of way for aerial plant is provided for in plant and equipment account No. 211, "Pole lines."

603. REPAIRS OF UNDERGROUND PLANT.

This account should include the cost of repairs of telegraph plant classed as underground plant, such as underground conduits and their appurtenances; outside pneumatic tubes and their appurtenances; underground cables, submarine telegraph cables, and towers, boxes, and fittings belonging to such cables. It includes also the cost of repairing right of way for underground and submarine cables, and the cost of repaving after repairs of underground conduits.

604. REPAIRS OF OCEAN CABLE LINES.

This account should include the cost of repairs of ocean cable lines, and of aerial and underground cables, conduits, pole line, and wires, and their appurtenances, used exclusively in the operation of ocean cables.

This account may include each month a proportion of the total amount authorized or appropriated for ocean cable repairs during a term of years regardless of the month in which the actual repairs are made.

605. REPAIRS OF BUILDINGS AND GROUNDS.

This account should include the cost of repairs to the structures and permanent fixtures of general and division offices; of main, local, branch, or relay telegraph and cable offices and test stations; and of storehouses, shops, stables, and garages, such fixtures including elevators, plumbing, and plants for heat, light, ventilation, and power, but not including telegraph or cable apparatus. This account should include also the cost of maintaining yards and grounds, with their fences, sidewalks, sewers, etc., appurtenant to such buildings.

606. TESTING AND REGULATING.

This account should include the pay and expenses of wire chiefs, test-board chiefs, repeater chiefs, multiplex chiefs, and their assistants, engaged in interior testing and patching wires, and in watching and regulating the operation of repeater and multiplex apparatus.

607. MINOR RENTS FOR PROPERTY.

This account should include amounts payable for rents of wires, ducts, conduits, lands, pole lines and other supports for wires, and other property, when rented for one year or less.

NOTE.—Rents for similar property when leased for more than one year should be charged to account No. 321, "Miscellaneous rents."

608. DEPRECIATION OF PLANT AND EQUIPMENT.

This account should include monthly the amount estimated to be necessary to cover the depreciation accruing during the month in the company's tangible plant and equipment, except that provided for in the clearing accounts. (See sec. 21, p. 16.)

NOTE.—Amounts charged to this account should be concurrently credited to account No. 170, "Reserve for accrued depreciation."

609. EXTRAORDINARY DEPRECIATION.

This account should be charged monthly such an amount as will, through its regular application, amortize the amount carried in suspense on account of extraordinary casualties and unanticipated reconstruction. (See sec. 22, p. 17.)

610. OTHER MAINTENANCE EXPENSES.

This account should include the cost, when not provided for elsewhere, of repairing telegraph and cable plant and equipment.

611. REPAIRS CHARGED TO RESERVES—CR.

Credit to this account and charge concurrently to account No. 170, "Reserve for accrued depreciation," an amount equal to the cost of extraordinary repairs for which provision has been made in that reserve; also credit to this account and charge concurrently to the insurers or to the insurance reserve an amount equal to the cost of repairs made necessary by casualties when such cost is covered by insurance or an insurance reserve. (See sec. 19, p. 15.)

II. CONDUCTING OPERATIONS.

NOTE APPLICABLE TO ALL ACCOUNTS IN CONDUCTING OPERATIONS.—If a company conducts both telegraph land-line operations and ocean cable operations, each of the primary expense accounts under the head of conducting operations, when relating to both classes of operations, should be subdivided so as to show separately the expenses for each of the two classes of operations.

620. SUPERVISION OF OPERATIONS.

This account should include the pay and expenses of officers and their assistants when in charge of commercial and traffic departments; the pay and expenses of their office and field forces; cost of office and other supplies (including postage, stationery, and printing) used by officers and employees whose salaries are charged to this account; rent and cost of repairing rented offices, janitor service, light, heat, and miscellaneous office expenses, if separate offices are maintained for such officers and employees.

This account should include the entire pay of managers and chief operators who are engaged exclusively in the supervision of commercial and traffic matters.

621. OPERATORS.

This account should include the pay of operators and attendants in main, local, branch, or relay offices engaged in the transmission of messages; also commissions paid in lieu of, or in addition to, salaries.

This account may include the entire pay of managers, chief operators, and operators who are engaged principally in the transmission of messages and are engaged only incidentally in performing other duties.

622. TELEGRAPH AND CABLE OFFICE CLERKS.

This account should include the pay of bookkeepers, clerks, and attendants engaged in receiving and delivering messages at counters, quoting rates, collecting charges, keeping accounts, and performing other clerical duties in telegraph or cable offices.

623. MESSENGER SERVICE EXPENSES.

This account should include the pay and expenses of messengers engaged in the collection and delivery of messages and in the performance of other messenger service for which collection is made by the company; also the cost of repairs to messengers' uniforms, when borne by the company.

To this account should be credited rents received by the company for use of messengers' uniforms.

624. OPERATING POWER.

This account should include the cost of generating power for the operation of telegraph and cable wires and accessory apparatus, the cost of supplies used in operating power plants, the cost of battery solution and materials, and the cost of purchased power.

625. RENTS OF TELEGRAPH AND CABLE OFFICES.

This account should include amounts accrued payable as rent of local telegraph and cable offices, including furnished janitor service, light, heat, and maintenance covered by the rent payments; also the cost of repairing rented telegraph and cable offices when repairs are borne by the lessee.

626. TELEGRAPH AND CABLE OFFICE STATIONERY AND PRINTING.

This account should include the cost of postage, stationery, stationery supplies, and printing used in telegraph or cable offices.

627. OPERATORS' SCHOOLING.

This account should include the cost of training new operators, either in school or otherwise, including wages paid them for which no service is rendered, salaries and expenses of instructors, and cost of supplies furnished to schools for operators.

628. REST AND LUNCH ROOMS.

This account should include the cost of conducting rest and lunch rooms for the operating force, including the cost of lunches furnished.

To this account should be credited amounts received by the company for lunches served.

629. MISCELLANEOUS TELEGRAPH AND CABLE OFFICE EXPENSES.

This account should include the traveling expenses of managers and chief operators whose pay is chargeable to account No. 621, and of operators, clerks, and attendants employed in main, local, branch, or relay telegraph and cable offices; the cost of office supplies not properly chargeable to the plant and equipment accounts, and not provided for in account No. 626; the cost of water, ice, fuel, light, towels, toilet supplies, and of janitor service and other care of main, local, branch, or relay telegraph and cable offices.

630. OBTAINING STOCK AND COMMERCIAL NEWS.

This account should include all expenses incident to the gathering of information relative to stock and other market quotations, transactions in securities, sporting news, election returns, marine reports, and similar items subsequently disseminated as stock and commercial news.

631. TELEPHONE COMPANY SERVICE.

This account should include amounts accruing to telephone companies for services rendered by employees of telephone companies in joint offices, such as receiving messages from the public, delivering messages to the public, quoting rates, collecting charges, and making reports; also amounts due in the form of commissions or otherwise to telephone companies for collecting charges at other than joint offices.

NOTE.—Amounts due telephone companies for transmission of messages over their wires should be charged to account No. 507, "Telephone transmission tolls—Dr."

632. COMMISSIONS.

This account should include commissions for originating or handling messages or for other commercial service connected with revenue messages, when payable to individuals not employees of the company, such as operators employed by transportation companies, and when payable to concerns other than telephone companies, such as hotels, stores, and apartment houses.

NOTE.—Commissions paid employees in lieu of or in addition to salaries should be charged to the salary accounts appropriate to such employees. Commissions paid to persons conducting telephone operations should be charged to account No. 631, "Telephone company service."

633. ADVERTISING AND SOLICITING.

This account should include the pay and expenses of advertising and soliciting agents; cost of commercial advertising in newspapers or magazines; and cost of posters, bulletins, advertising sundries, booklets, and other related items.

634. TRAFFIC DAMAGES.

This account should include payments made in settlement of damage claims arising out of delays and errors in service, and expenses directly incident to such claims, including the pay and expenses of witnesses in law suits involving such claims, but not including law expenses.

NOTE A.—Where telegraph and cable tolls are refunded under a claim of failure in service, the amounts of the tolls should be charged to the appropriate revenue accounts.

NOTE B.—Payments on account of injuries to persons or damage to property should be charged to account No. 647, "Accidents and damages."

NOTE C.—Law expenses connected with the defense or settlement of damage claims are provided for in account No. 648, "Law expenses connected with damages."

635. OTHER CONDUCTING OPERATIONS EXPENSES.

This account should include all expenses incident to conducting telegraph and cable operations and not provided for elsewhere.

III. GENERAL AND MISCELLANEOUS.**640. SALARIES OF GENERAL OFFICERS.**

This account should include the salaries of the chairman of the board, president, vice president, secretary, treasurer, comptroller, general auditor, general manager, general superintendent, and other officers whose jurisdiction extends to the operations of the company as a whole.

641. SALARIES OF GENERAL OFFICE CLERKS.

This account should include the salaries and wages of bookkeepers, paymasters, cashiers, clerks, and stenographers employed in the general offices, except as provided for elsewhere.

642. EXPENSES OF GENERAL OFFICERS AND CLERKS.

This account should include the traveling and incidental expenses of general officers and other general office employees, except as provided for elsewhere.

643. GENERAL STATIONERY AND PRINTING.

This account should include the cost of postage, stationery, and printing for use in general offices, except as provided for elsewhere.

644. OTHER GENERAL OFFICE SUPPLIES AND EXPENSES.

This account should include the cost of office supplies (other than postage, stationery, and printing); repairs of office furniture; replacements of such furniture as is not chargeable to plant and equipment accounts; wages of janitors, porters, and attendants; rent and cost of repairs of rented general offices; and other miscellaneous expenses of general offices.

645. GENERAL LAW EXPENSES.

This account should include all law expenses except those incurred in the defense and settlement of damage claims, including pay and expenses of counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; cost of law books, printing briefs, legal forms, testimony, reports, etc.; fees and retainers for services of

645. GENERAL LAW EXPENSES—Continued.

attorneys not regular employees; court costs and payments of special, notarial, and witness fees not provided for elsewhere; expenses connected with taking depositions; and all law and court expenses not provided for elsewhere.

NOTE.—The compensation of the general solicitor or counsel or other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work should be properly apportioned between this account and account No. 648, "Law expenses connected with damages."

646. INSURANCE.

This account should include premiums paid to insurance companies for fire, fidelity, boiler, casualty, burglar, and other insurance. Charge also to this account and credit to account No. 173, "Insurance and casualty reserves," amounts set aside as an insurance reserve.

This account should be credited and the plant and equipment accounts charged with the cost of insurance applicable to construction work.

NOTE.—In reports to the Commission the companies will be required to report the charges made to this account for the various kinds of insurance, and for self-insurance.

647. ACCIDENTS AND DAMAGES.

This account should include expenses, other than law expenses, incurred on account of persons killed or injured and on account of property of others damaged. It includes the pay and expenses of claim agents, investigators, and adjusters; fees and expenses of surgeons and doctors, nursing, hospital attendance, medical and surgical supplies, fees and expenses of coroners and undertakers, and contributions to hospitals; also amounts paid on judgments and other settlements of personal injury or damage claims.

This account should be credited and the plant and equipment accounts charged with the expenses of accidents and damages incident to construction work.

NOTE.—Payments made in settlement of damage claims arising out of delay and errors in service should be charged to account No. 634, "Traffic damages."

648. LAW EXPENSES CONNECTED WITH DAMAGES.

This account should include law expenses connected with the defense or settlement of damage claims, including a proper proportion of the salaries and expenses of the general solicitor or counsel; of salaries, fees, and expenses of attorneys engaged in this work; fees of court stenographers and other court expenses; and cost of law books, printing briefs, court records, and similar papers in connection with such cases.

This account should be credited and the plant and equipment accounts charged with law expenses incident to damage claims arising out of construction work.

NOTE.—The compensation of the general solicitor or counsel and of other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work should be properly apportioned between this account and account No. 645, "General law expenses."

649. RELIEF DEPARTMENT AND PENSIONS.

This account should include pensions or other benefits paid to employees or representatives of former employees, and expenses in connection therewith; salaries and expenses incurred in conducting a relief department; and contributions made to such department.

650. FRANCHISE REQUIREMENTS.

This account should include the cost of service, materials, and supplies furnished to municipal corporations in compliance with franchise requirements and for which no payment is received by the company; also direct expense, such as paying and other like matters, incurred in compliance with such requirements and for which no reimbursement is received by the company.

NOTE.—Amounts charged to this account for which there is no direct money outlay should be credited to account No. 654, "Franchise requirements—Cr."

651. VALUATION EXPENSES.

This account should include expenses incident to the ascertainment (in accordance with the act to regulate commerce as amended March 1, 1913, or with other Federal or State requirements) of the value of property owned or used by the accounting company, such expenses including pay, and office, traveling, and other expenses of officers specially employed or assigned to such work, and of their assistants, clerks, and attendants, and the cost of stationery and printing, and of engineering supplies consumed.

NOTE A.—No charge should be made to this account for the salaries of officers or of their clerks and attendants for merely incidental services in connection with valuation work, but special office, clerical, traveling, and incidental expenses incurred by these officers on account of such work may be included as a part of the cost of the work.

NOTE B.—It is not intended that this account shall in any degree relieve the other primary accounts of expenses ordinarily chargeable thereto under conditions existing while no valuation work is in progress.

652. AMORTIZATION OF FRANCHISES AND PATENTS.

This account should include each month the amount necessary to cover such portions of the life of limited franchises and patents as have expired or been consumed during the month.

NOTE.—The amount charged to this account should be concurrently credited to an appropriate subaccount under account No. 171, "Reserve for amortization of intangible capital."

653. OTHER GENERAL EXPENSES.

This account should include such incidental general expenses as are not provided for in the foregoing accounts, such as cost of publishing notices of stockholders' meetings, of elections of directors, and of dividends declared; annual reports in newspapers; fees and expenses paid to directors; expenses of transfer agents and of listing stocks on exchanges.

654. FRANCHISE REQUIREMENTS—CR.

Credit to this account the amounts included in account No. 650, "Franchise requirements," for which there is no actual money outlay.

TEXT PERTAINING TO CLEARING ACCOUNTS.

EXPLANATORY NOTE.—The following accounts are provided for certain expenses which usually affect several classes of operations and need to be brought together in one account in order that the total of the expenses may be known and properly distributed.

701. SHOP EXPENSE.

This account or appropriate subaccounts should be arranged so as to record separately the expenses of the general shops as follows: (1) Salaries and wages of shop employees; (2) personal and incidental expenses of such employees; (3) materials and supplies for general shop use; (4) repairs of shop tools, machinery, and appliances; (5) depreciation of shop tools, machinery, and appliances; (6) rents paid for shop buildings; and (7) power, heat, light, and other expenses of shops.

The shop expense account should be cleared by apportioning the total amount of the expenses to the various jobs on an equitable basis.

702. STABLE AND GARAGE EXPENSE.

This account or appropriate subaccounts should be arranged so as to record separately the expenses of stables and garages as follows: (1) Salaries and wages of drivers, chauffeurs, stablemen, garagemen, and other employees in stables and garages; (2) personal and incidental expenses of such employees; (3) materials and supplies, including fuel and gasoline, feed, harness, tires, and other supplies for stables and garages; (4) repairs of automobiles and other vehicles and harness; (5) depreciation of vehicles, horses, harness, etc., including losses unprovided for by reserves or insurance; (6) rents paid for buildings, vehicles, and horses; and (7) heat, light, and other expenses of stables and garages.

Credit to this account any charges for service performed for others by the accounting company.

A record should be kept of the use of teams and automobiles, and the amount carried in this account should be apportioned to the proper accounts according to use, or the debits to the accounts may be made at rates per hour of service which have been found to be fair and to distribute the total expense equitably.

703. TOOL EXPENSE.

This account should include expense for tools other than shop tools and tools carried as supplies unissued, including (1) the cost of small hand tools of which no account is kept after issue; (2) the cost of repairing tools; (3) the cost of tools lost or stolen; and (4) depreciation on tools taken out of service because of breakage or other deterioration.

This account should be cleared by adding to the expense of repairs and cost of plant installed such amounts as will equitably distribute the total expense for tools.

704. SUPPLY EXPENSE.

This account or appropriate subaccounts should be arranged so as to record separately the expenses, except insurance and taxes, incurred directly in connection with the purchase, storage, handling, and distribution of materials and supplies and stationery, as follows: (1) The pay and expenses of purchasing agents, managers of stores, clerks, and

704. SUPPLY EXPENSE—Continued.

laborers; (2) personal and incidental expenses of such employees; (3) rents paid for storerooms or storehouses; (4) repairs of store equipment; (5) cost of lighting and heating; (6) undistributed transportation charges; (7) discounts recovered through prompt payment of bills for materials and supplies when such discounts can not be assigned to the particular bills; (8) overages or shortages in the materials and supplies account disclosed by inventories and not assignable to specific accounts; and (9) the estimated depreciation on materials and supplies due to breakage, leakage, shortage, and wear and tear.

This account should be cleared by adding to the cost of materials and supplies passing through stores a suitable loading charge which will equitably distribute the total cost of conducting the stores, and by adding to the cost of such supplies as are bought by the purchasing department a pro rata share of the total expense of the purchasing department.

705. ENGINEERING EXPENSE.

This account or appropriate subaccounts should be arranged so as to record separately the expenses for engineering as follows: (1) Salaries and wages; (2) personal and incidental expenses of engineering department employees; (3) rent paid for offices; and (4) light, heat, and other office expenses.

This account should be cleared by apportioning the total expenses to operating expense and plant and equipment accounts on the basis of service rendered, as determined by the actual time devoted to particular jobs or on an equitable basis fixed by the officers of the company.

706. PLANT SUPERVISION EXPENSE.

This account should include the cost of general supervision of the maintenance and construction of the plant where a separate department of the company's organization is charged with such supervision. It includes the pay and expenses of general plant superintendent, district plant superintendent, plant engineers, other plant supervising officers, and their office and field forces, charged with planning for and superintending the work of maintenance and plant construction.

This account or appropriate subaccounts should be so arranged as to show in detail the expenses of the plant supervision department as follows: (1) Salaries and wages; (2) personal and incidental expenses of employees; (3) rent paid for offices; and (4) light, heat, and other office expenses.

This account should be cleared by charging directly to the appropriate accounts such expenses as can be allocated to particular pieces of work, and by charging out the balance on the basis of labor employed in all construction or maintenance work in progress.

NOTE.—The pay of general foremen and foremen in direct charge of jobs should be included in the cost of the job and not charged to this account.

707. HOUSE SERVICE EXPENSE.

This account should include the expenses pertaining to the operation of offices and buildings, whether owned or rented by the company, when such expenses can not be allocated as they accrue to the operating expense accounts and other accounts. This account includes rents paid, fuel, heat, light, power, elevator service, janitor service, and like expenses, but does not include insurance, taxes, and maintenance expenses.

This account should be cleared by apportioning the entire expense to the operating expense and other accounts on the basis of use made of such property.

708. FLOATING EQUIPMENT EXPENSE.

Charge to this account the cost of maintenance and operation of steamships, steamboats, launches, and other vessels used in the maintenance and construction of telegraph or cable lines.

This account or appropriate subaccounts should be so arranged as to show in detail the expenses of floating equipment, as follows: (1) Salaries and wages; (2) personal and incidental expenses of such employees; (3) materials and supplies; (4) repairs of vessels and appurtenances; (5) depreciation of vessels and appurtenances; (6) rents paid for vessels; (7) other expenses of operating vessels.

Credit to this account any charges for services performed by the company for others.

This account should be cleared by adding to the expense of repairs and cost of plant installed such amounts as will equitably distribute the total expense for floating equipment.

709. RAILWAY EQUIPMENT EXPENSE.

Charge to this account the cost of maintenance and operation of motor, bunk, pole, and hand cars, velocipedes and other railroad equipment used in the maintenance and construction of telegraph lines.

This account or appropriate subaccounts should be so arranged as to show in detail the expenses of railway equipment, as follows: (1) Salaries and wages; (2) personal and incidental expenses of such employees; (3) materials and supplies; (4) repairs of cars and appurtenances; (5) depreciation of cars and appurtenances; (6) rents paid for railway equipment; (7) other expenses of operating railway equipment.

Credit to this account any charges for services performed by the company for others.

This account should be cleared by adding to the expense of repairs and cost of plant installed such amounts as will equitably distribute the total expense for railway equipment.

INDEX.

Roman numerals refer to the general instructions; Arabic numerals to the several accounts.

- Abandoned property. (See Retirement.)
- Accidents. (See Casualties, Damages.)
- Accounts (payable); for joint operations, xxiii; with other companies, 156, 161; audited but unpaid, 159; miscellaneous, 162.
- Accounts (receivable); for joint operations, xxiii; with other companies, 104, 112; with customers and agents, 111, 160; miscellaneous, 113; reserve for doubtful accounts, 172; uncollectible, 304.
- Additions to property; definition, vii; accounting for cost, vii.
- Advances; to other companies for long term, 104; to employes as working funds, 108; from other companies for long term, 156; from customers for service, 165.
- Advertising; at organization, 200; operating expense, 633.
- Aerial plant. (See Cables, Pole line, Wires.)
- Agents; commercial agents' collections, 106, 111; purchasing agents' pay and expenses, 204, 205, 704; advertising and soliciting agents' pay and expenses, 633; claim agents' pay and expenses, 647; transfer agents' expenses, 653.
- Amortization; reserve, 171; of debt discount and expense, v, 325; of debt premium, v, 327; of organization costs, 414; of miscellaneous intangibles, 414; of extraordinary losses and expenditures, xxii, 609; of franchise and patent costs, 652.
- Appraisal of plant acquired, xi, 205n.
- Appropriations. (See Income, Surplus.)
- Assessments (for public improvements); benefiting right of way, 204; benefiting land, 205; during construction period, 232n.
- Assessments (on stockholders); assignable to discount and premium account, iv, 150n.
- Assets; contingent, vi; actual. (See Balance sheet.)
- Automobiles. (See Vehicles.)
- Balance-sheet accounts; definition, i; asset side, 100-128; liability side, 150-179; adjustments and cancellations, 401, 417.
- Betterments; definition, vii; accounting for cost, vii; appropriations, 332, 415.
- Bills; receivable, 110; payable, 158.
- Bonds. (See Funded debt, Securities.)
- Book value of securities owned, ii.
- Buildings; not used in operations, 105; acquired incidentally with land, 205n; used in operations, 206; permanent fixtures, 206, 226n; maintenance while leased, 311; repairs, 605; expense of operation, 707.
- Cable message revenues; of telegraph companies, 501-504; of cable companies, 510-513.
- Cables (of cable lines); interior cable, 220; aerial, submarine, and underground cable, 222; interior cable repairs, 601; aerial, submarine, and underground cable repairs, 604.
- Cables (of telegraph lines); interior cable, 207; subscribers' cable, 210; aerial cable, 212; underground cable, 215; submarine cable, 216; interior and subscribers' cable repairs, 601; aerial cable repairs, 602; underground and submarine cable repairs, 603.
- Capital stock; liability, 150, 151, 152; classes of issues, 150; entry of consideration received, 150; definition of "issued" and "outstanding," 150n; subscription expense, 200; issue expense, 200; listing expense, 653. (See also Securities.)
- Cars. (See Railway equipment.)
- Cash; in hand, 106; in transit, 106; in special deposits, 107; in reserve funds, 118, 119; in provident funds, 120; deposited by customers, 160; refunded to customers, 160.
- Casualties; reserve, 173; extraordinary, xix, xxii, 609; other, 647.
- Claims; in favor of company, 113; for traffic damages, 634; for personal injury, 647; for property damages, 647.

- Clearing accounts; debit balances, 127; credit balances, 175; inclusion of small items, 228n; in detail, 701-709.
- Clerical expense. (See Pay and expenses.)
- Collectors' balances receivable, 111.
- Commercial news service; revenues, 505; expenses, 630.
- Commercial rate messages; telegraph revenue, 500, 501; cable revenue, 510.
- Commissions; for marketing debt securities, v; in lieu of or addition to salaries, xviii, 621; to telephone companies, xviii, 631; to agencies and others, xviii, 632.
- Condemnation costs, 204, 205.
- Conducting operations expense, 620-635.
- Conduits (of cable lines); interior, 220; underground, 222; maintenance while leased, 311; interior conduit repairs, 601; underground conduit repairs, 604.
- Conduits (of telegraph lines); interior, 207; subscribers', 210; underground, 214; maintenance while leased, 311; interior and subscribers' conduit repairs, 601; underground conduit repairs, 603.
- Construction; work in progress, 102; charges at completion, 102; grants received in aid, 153; appropriations, 332, 415; preliminary charges to operation, 646-648; charges to clearing accounts, 701-709. (See also Plant and equipment, Reconstruction.)
- Contingent assets and liabilities, vi.
- Contract revenue debits, 530.
- Contributions; to provident funds, 120; to reimburse losses of others, 325; to hospitals, 647; to relief department, 649.
- Conversion of securities, 151.
- Cost; charges for securities owned, ii; charges for property, viii, x; of labor, x; of materials and supplies, x; in excess of structural value, xi; of repairs, xx.
- Court expense. (See Law expense.)
- Current assets; miscellaneous, 116; definition, 116.
- Current funds assets, 106.
- Current liability, miscellaneous, 166.
- Customers' accounts; balances receivable, 111; deposits made, 160; service billed in advance, 165.
- Damages; adjustment of charges, 173; abutting, 205; traffic, 634; to property, 647; based on personal injury 647; law expense, 648.
- Debentures; stock liability, 150; bond liability, 154; interest accrued, 163, 313, 322.
- Debt discount. (See Discount.)
- Debt expense; definition, v; accounting, v; unamortized balance, 126; for construction period, ix, 229; amortization charges, v, 326, 417.
- Deferred miscellaneous items; debits, 127; credits, 175.
- Deposits; current cash, 106; for special purposes, 107; with sinking fund trustees, 118; by customers, 160.
- Depreciation; of security values, ii; for property retired, xii; for extraordinary repairs, xix; definition, xxi; fixing of rates and charges, xxi; covered by reserve, xxi, 170; not covered by reserves, xxi, 413; of plant and equipment, xxi, 608; for extraordinary losses, xxii, 609; preliminary charges to clearing accounts, 701-704, 708, 709.
- Directors' fees and expenses, 653.
- Discount (miscellaneous); on bills for materials and supplies, 115n, 704; on securities of other companies, 313, 314; on short-term notes, 313, 323.
- Discount (on capital stock); definition, iv; accounting, iv; exclusion from investment and operation, iv; unextinguished, 125; record entry in stock account, 150; adjustment credits at reacquirement, iii, 401; extinguished through profit and loss, 417.
- Discount (on funded debt); definition, v; accounting, v; exclusion from investment and operation, v; unamortized, 126; record entry on debt account, 154; for construction period, ix, 229; amortization through income, v, 326; adjustment credits at reacquirement, iii, 401; amortized through profit and loss, v, 417.
- Dividends (on company stock owned); exclusion from dividend accounts, 312n, 331n, 412n; assigned to reserve funds, 330, 411.
- Dividends (payable); deposits to meet payments, 107; due but unpaid, 163; declared but not due, 168; payable by lessee for lessor, 310, 320; appropriations from income, 331; appropriations from surplus, 412; publication expense, 653.
- Dividends (receivable); due but uncollected, 114; declared but not due, 117; accrued under contracts, 117; receivable as income, 312; receivable as fund accretions, 312n, 330.
- Drafts. (See Bills.)
- Ducts. (See Conduits.)
- Engineering expense; for construction in progress, 102; held in suspense, 127; for construction period, 230; for maintenance, 600; for valuation, 651; in clearing account, 705, 706.

- Engineering instruments; cost, 230, 600; repairs, 600.
- Equipment; transmission terminals, 207, 220; messenger service equipment, 208; office business equipment, 209, 221, 224; subscribers' telegraph equipment, 210; floating equipment, 218, 223; railway equipment, 219; shop equipment, 225; store equipment, 226; stable and garage equipment, 227; special items of equipment, 233; appropriations, 332, 415; depreciation, xxi, 608.
- Expenses. (See Debt expense, Operating expenses, Pay and expenses.)
- Fines unpaid, 157.
- Floating equipment; expense for construction in progress, 102; investment for telegraph lines, 218; investment for cable lines, 223; expense in clearing account, 708.
- Franchise; accounting for extensions, vii; amortization reserve, 171; cost of acquisition or extension, 201; short-term rights, 201n; payment in excess of first cost, 201n; requirements chargeable as taxes, 305; requirements chargeable as operating expense, 650; amortization, 652; credits to operating expense, 654.
- Fuel. (See Supplies.)
- Funded debt; issue and sale expense, v; liability, 154; classes of issues, 154; entry of consideration received, 154; definition of "issued" and "outstanding," 154n; matured but unpaid, 164; drawn for redemption but unpaid, 164. (See also Securities.)
- Funds. (See Current funds, Deposits, Reserve funds, Trust funds, Working funds.)
- Furniture; investment for offices, 209, 221, 224; maintenance, 601, 644.
- Garages; land, 205; buildings, 206; equipment, 227; building repairs, 605; expense in clearing account, 702; service for others, 702.
- General expense; for construction in progress, 102; assignable to plant and equipment, 233; for operation, 640-654.
- Gifts. (See Contributions, Grants.)
- Government rate messages; telegraph revenue, 500, 502; cable revenue, 510, 511.
- Grading; of land, 205; of grounds, 206; assessments, 232n.
- Grants in aid of construction, 153.
- Grounds; investment, 206; maintenance, 605.
- Horses; investment, 227; depreciation, 702.
- Hospital association funds; asset balances, 120; liability, 174. (See also Relief.)
- Hospital contributions by company, 647.
- House service expense clearing account, 707.
- Income; definition of account, xiii; invested since 1913 in plant and equipment, 176; temporary appropriations, 176n; reserved in sinking funds, 177, 178; held in miscellaneous reserves, 178; intended for investment in plant and equipment, 178; operating income, 300-305; nonoperating income, 310-316; deductions from income, 304n, 320-328; appropriations of income, 330-333; income balance, 400, 410.
- Incorporation expense, 200.
- Injury to persons. (See Personal injury.)
- Inspection of materials and supplies, x.
- Insurance; fund assets, 119; premiums prepaid, 123; reserve, 173, 646; insurance recoverable, 173, 611; premiums during construction, 233, 646; charges against reserve, 611; credits to operating expense, 611; premiums paid, 646.
- Intangible capital; replacement, vii; excess cost of tangible property, xi; amortization reserve, 171; cost charges, 200-203; amortization through profit and loss, 414; amortization through operating expense, 652.
- Interest (on company debt held); exclusion from interest income, 313n; exclusion from interest deductions, 322n; assigned to reserve funds, 330.
- Interest (payable); for construction period, ix, 102, 229; deposits to meet payment, 107; related to debt discount and premium, v, 154; on receiver's certificates, 155, 322; on judgments, 157; matured but unpaid, 163; on unmatured funded debt, 163, 168, 322; on matured funded debt, 163, 168, 323; on unfunded debt and open accounts, 163, 168, 323; by lessee in lessor's behalf, 310, 320; on debenture stock, 322.
- Interest (receivable); matured but uncollected, 114; accrued but not due, 117; accrued during construction, 229; receivable as income, 313; accrued to reserve funds, 313n, 330.
- Inventory; balances, 115; overages and shortages, 115, 704.
- Investment; in plant and equipment, 100, 101; in construction in progress, 102; in securities, 103; in long-term advances, 104; in property not used in operations, 105; profit from sale, 401; loss by sale or retirement, 417.
- Janitor service. (See House service, Office expenses.)
- Joint operations expense, xxiii.

- Judgments; in favor of company, 113; against company and unpaid, 157; against company and paid, 647.
- Labor cost defined, x.
- Land; not used in operations, 105; for right of way, 204; for other operating uses, 205. (See also Grounds.)
- Law expense; for organization, 200; for construction period, 231, 648; for general purposes, 645; for damage cases, 648.
- Leased property; rent receivable income, 310, 311; maintenance by lessor, 310, 311; rent receivable revenue, 520, 521.
- Leaseholds; for right of way, 204; for other operating uses, 205.
- Liabilities; contingent, vi; actual. (See Balance sheet.)
- Loss; by extraordinary casualties, xxi, xxii; handled through reserve, 173; on operations of others, 325; by sale or retirement of investments, 417; on vehicles and horses, 702; on tools, 703. (See also Depreciation.)
- Lunch rooms; equipment, 209, 221; expense, 628; receipts, 628.
- Machinery; appurtenant to buildings, 206; foundations in buildings, 206; in transmission offices, 207, 220; in floating equipment, 218, 223; in shops, 225; repairs in transmission offices, 601; repairs in buildings, 605; repairs and depreciation in shops, 701. (See also Tools.)
- Maintenance expense; on property leased to others, 310, 311; for supervision, 600; for repairs, 601-606; for short-term rentals, 607; for depreciation, 608, 609, 611; miscellaneous, 610; covered by office rent, 625; in clearing accounts, 701-704, 706, 708, 709. (See also Repairs.)
- Marine news service; revenues, 505; expenses, 630.
- Market news service; revenues, 505; expenses, 630.
- Marketable securities assets, 109.
- Materials. (See Supplies.)
- Message revenues; guaranty deposits, 160n; telegraph, 500-507; cable, 510-513.
- Messenger service; equipment, 208; revenue, 523; equipment repairs, 601; expense, 623; credits to expense, 623.
- Money transfer revenue; from transmissions, 504; from premiums, 522; from message condensation, 525.
- Mortgage (real estate) liability, 154.
- News service; revenues, 505; expenses, 630.
- Nonoperating income; rents, 310, 311; dividends, 312; interest, 313; fund accretions, 314; from operations of others, 315; miscellaneous, 316.
- Nontransmission revenues; rents, 520, 521; money transfer premiums, 522; messenger service, 523; time service, 524; miscellaneous, 525.
- Notes (payable); long-term note liability, 154; demand notes to cover advances, 156; demand and short-term notes, 158.
- Notes (receivable); long-term note investments, 103; short-term notes as bills receivable, 103n; demand notes to cover advances, 104; long-term notes marketable, 110n.
- Obsolescence as form of depreciation, xxi.
- Office equipment; transmission terminals, 207, 220; furnishings and business equipment, 209, 221, 224; repairs of terminals, 601; repairs of furnishings, 601, 644.
- Office expenses; for organization, 200; during construction, 231, 233, 705, 706; for supervision of maintenance, 600, 706; for supervision of operations, 620; for transmission offices, 625, 626, 629; for general offices, 643, 644; for law offices, 645; for valuation force, 651; for general engineering, 705; for general purposes, 707.
- Office structures; land cost, 205; structure cost, 206; repairs when rented, 600, 620, 625, 644; repairs when owned, 605.
- Operating expenses; telegraph and cable total, 301; other than telegraph and cable, 303; for maintenance, 600-611; for conducting operations, 620-635; general and miscellaneous, 640-654; in clearing accounts, 701-709.
- Operating income accounts, 300-305.
- Operating reserves; debit balances, 127; credit balances, 175; operating expense debits, 604.
- Operating revenues; definition, xvi; basis of credits, xvi; permissible debits, xvii; credits from customers' accounts, 160, 165; reserve for doubtful accounts, 172; telegraph and cable total, 300; other than telegraph and cable, 302; uncollectible, 304; from telegraph transmission, 500-507; from cable transmission, 510-513; from nontransmission sources, 520-525; contract debits, 530.
- Operations of others; profits, 315; losses, 325.
- Operators; pay for service, 621; pay while training, 627; lunches furnished, 628; expenses, 629.
- Organization; costs, 200; amortization of costs, 414.
- Original plant and equipment; definition, vii; accounting for cost, vii.
- Overcharge debits to revenues, xvii.

- Patents**; accounting for extensions, vii; amortization reserve, 171; investment, 202; amortization, 652.
- Paving**; assessments, 232n; after conduit repairs, 603; by franchise requirement, 650.
- Pay and expenses**; inclusion in cost of labor, x; inclusion in cost of repairs, xx; audited but unpaid, 159; of purchasing agents, 204, 205; assignable to construction, 230, 231, 233; maintenance supervision force, 600; engineering force, 600, 705; testing and regulating force, 606; transmission supervision force, 620; operators and managers, 621, 627, 629; transmission office clerks, 622; messenger force, 623; operators' school force, 627; advertising and soliciting force, 633; general officers, 640, 642; general office clerks, 641, 642; general office attendants, 644; law force, 645, 648; claims force, 647; relief department force, 649; valuation force, 651; shop force, 701; stable and garage force, 702; purchasing and stores force, 704; apportionment between operation and construction, x, 701-709; plant supervision force, 706; house service force, 707; floating equipment force, 708; railway equipment force, 709. (See also Commissions.)
- Pensions**; fund assets, 120; fund liability, 174; payments and expense, 649.
- Personal injury**; credits to reserve, 173; adjustment of charges, 173; charges to operating expenses, 647; charges to plant and equipment, 647.
- Plant and equipment**; definitions, vii; cost charges on money basis, viii; factors in cost charges, x; cost charges for purchased property, xi; asset balances, 100, 101 [p. 21]; investment, 100, 101 [p. 35]; charges for property put into service, 102; income and surplus invested, 176; investment in detail, 200-233; accounting for withdrawals and retirements, xii, 229; appropriations for investment, 332, 415; depreciation, 608; preliminary charges to clearing accounts, 701-709. (See also Property.)
- Plant supervision expense** in clearing account, 706.
- Pneumatic tubes**; for telegraph, 207, 217; for cable lines, 220; repairs of interior tubes, 601; repair of outside tubes, 603.
- Pole line**; for telegraph, 211; for cable line, 222; maintenance while leased, 311; repairs for telegraph, 602; repairs for cable line, 604.
- Power equipment**; for buildings, 206; for telegraph lines, 207; for floating equipment, 218, 223; for cable lines, 220; for shop operations, 225; repairs for operating equipment, 601; repairs for buildings, 605.
- Power expense**; for line operation, 624; for shops, 701; for buildings and offices, 707.
- Premium (miscellaneous)**; on securities of other companies, 313, 314. (See also Insurance, Money transfer.)
- Premium (on capital stock)**; definition, iv; accounting, iv; record entry on stock account, 150; assessments on stockholders, 150n; liability balance, 152; at reacquirement, iii, 401; adjustment debits at reacquirement, 417.
- Premium (on funded debt)**; definition, v; accounting, v; record entry in funded debt account, 154; unextinguished, v, 169; release through income, v, 327; at reacquirement, iii, 401; adjustment debits at reacquirement, 417.
- Prepayments**; rents, 121; taxes, 122; insurance premiums, 123; miscellaneous, 124.
- Press rate messages**; telegraph revenue, 503; cable revenue, 512.
- Printing**. (See Stationery and printing.)
- Profit and loss account**; debits for property retired or sold, xii; definition, xv; adjustments of salvage values, 115; debit balance, 128; credit balance, 179; debits for uncollectible revenue, 304n; credit accounts, 400, 401; debit accounts, 410-417.
- Profits**; from operations of others, 315; from sale of property, xii, 401; from services for others, 702, 708, 709.
- Promotion expense**, 200.
- Property**; retired or sold, xii, abandoned or destroyed, xxii; in course of construction, 102; not used in operations, 105; purchased, xi, 205n. (See also Plant and equipment.)
- Provident funds**, asset balances, 120; liability, 174.
- Railway equipment**; expense for construction in progress, 102; investment for telegraph, 219; expense in clearing account, 709.
- Reacquired securities**; accounting, iii; inclusion in liability, 150, 154; adjustment of book value, 401, 417.
- Receiver's certificates liability**, 155.
- Reconstruction of plant**; as distinct from repairs, xix; unanticipated, xxii.

Redemption funds. (See Reserve funds.)

Refunds; of revenue, xvii; of customers' deposits, 160; for failure of service, 634n.

Regulating force pay and expense, 606.

Relief; fund assets, 120; fund liability, 174; expenses and contributions, 649.

Relocation of plant, xix.

Rent (payable); prepaid, 121; due, but unpaid, 163; accrued, but not due, 168; of general offices during construction, 233; for leased property, 320, 321; for maintenance offices, 600; for short-term rentals, 607; for supervision offices, 620; for transmission offices, 625; for general offices, 644; for shop buildings, 701; for stables and garages, 702; for vehicles and horses, 702; for storerooms and storehouses, 704; for engineers' offices, 705; for plant supervision offices, 706; for buildings and offices not allocated, 707; for floating equipment, 708; for railway equipment, 709.

Rent (receivable); accrued, but not due, 117; from plant leased to others, 310, 311; rent expenses, 311; from plant maintained by company, 520, 521; from messengers' uniforms, 623.

Repairs; ordinary repairs and extraordinary repairs defined, xix; cost of repairs defined, xx; depreciation charges for repairs, xix, 170, 611; office repairs during construction, 233; of engineering outfit, 600; of rented maintenance offices, 600; of transmission office equipment, 601; of messenger service equipment, 601; of telegraph aerial plant, 602; of telegraph underground and submarine plant and right of way, 603; of ocean cable and cable land-line plant, 604; of buildings and grounds, 605; of miscellaneous nature, 610; reserve debits credited to operating expense, 611; of rented offices for conducting operations, 620, 625; of messengers' uniforms, 623; of general office fittings, 644; of rented general offices, 644; of shop equipment, 701; of vehicles, 702; of tools, 703; of store equipment, 704; of rented offices and buildings not allocated, 707; of floating equipment, 708; of railway equipment, 709. (See also Maintenance.)

Replacements; definition, vii; accounting for costs, vii, xix.

Reserve funds; sinking fund assets, 118; insurance and other fund assets, 119; accretions through income, 314, 330; premium and discount en-

tries, 314; appropriations of income, 330; appropriations of surplus, 411.

Reserves; entries to adjust security values, iii; for repairs of cable lines, 127, 175, 604; for property retired, xii, 170; for accrued depreciation, 170; for amortization of intangible capital, 171; for doubtful accounts, 172, 304; for insurance and casualties, 173; for sinking funds, 177; for miscellaneous purposes, 178.

Rest rooms; equipment, 209, 221; expense, 628.

Retirement of property; accounting, xii, xxii, 170; debits for losses, 417.

Revenue. (See Operating revenues.)

Right of way; investment, 204; clearing, 211, 602; repairs, 603.

Salaries. (See Pay and expenses.)

Salvage; cost of recovery, xix; inclusion in materials and supplies, 115; credit to land account, 205n.

Savings funds; asset balances, 120; liability, 174.

Schools; equipment, 209, 221; expense, 627.

Securities; optional record of investment value, ii; par value entries for liability, iii; accounting for value when reacquired, iii; held as investment, 103; in special deposits, 107; held as marketable, 109; in reserve funds, 118, 119; in provident funds, 120; liability for conversion, 151; assignable to organization expense, 200; adjustment of book value when reacquired, ii, 401, 417.

Service; billed to customers in advance, 165; under franchise requirement, 650; performed for others with equipment, 702, 708, 709.

Shop equipment; for general shops, 225; for stables and garages, 227; repairs and depreciation, 701.

Shop expense in clearing account, 701.

Shop structures; land, 205; buildings, 206; repairs, 605.

Sinking funds; asset balances, 118; reserves, 177, 178; accretions, 177, 314, 330; premium and discount entries, 314; appropriations from income, 330; appropriations from surplus, 411.

Smithing equipment, 225. (See also Stables.)

Soliciting expense; at organization, 200; for operation, 633.

Stables; land, 205; buildings, 206; equipment, 227; building repairs, 605; expense in clearing account, 702; service for others, 702.

Stationery and printing; in debt expense, v; unapplied, 115; for law force during construction, 231; for maintenance offices, 600; for super-

- vision of operations, 620; for transmission offices, 626; for general offices, 643; for law work, 645, 648; for valuation work, 651; expense in clearing account, 704.
- Steamboats. (See Floating equipment.)
- Stock. (See Capital stock, Securities.)
- Stock news; revenue, 505; expense, 630.
- Store equipment; investment, 226; repairs, 704.
- Store rooms. (See Storehouses.)
- Store supplies. (See Supplies.)
- Storehouses; land, 205; buildings, 206; equipment, 226; building repairs, 605; expense in clearing account, 704.
- Street improvements; chargeable to plant and equipment, 232n. (See also Assessments, Paving.)
- Structural value defined, xi.
- Submarine plant; telegraph, 216; cable line, 222; repairs for telegraph, 603; repairs for cable line, 604.
- Subscribers' equipment; for messenger service, 208; for telegraph, 210; repairs, 601.
- Superintendence; during construction, 230; expense in clearing account, 706. (See also Engineering.)
- Supervision expense; for construction in progress, 102; for building construction, 206; for maintenance, 600; for operations, 620; in clearing account, 706.
- Supplies; cost defined, x; inclusion in cost of repairs, xx; unapplied, 115; shortages and overages, 115, 704; of small value, 228n; for engineers on construction, 230; for supervision offices, 600, 620; for power plants, 624; for transmission offices, 626, 629; for operators' schools, 627; for general offices, 643, 644; furnished under franchise requirement, 650; for valuation work, 651; for shops, 701; for stables and garages, 702; depreciation, 704; for buildings and offices not allocated, 707; for floating equipment, 708; for railway equipment, 709. (See also Stationery and printing, Supply expense.)
- Supply expense; inclusion in cost of supplies, x; for construction in progress, 102; entries for shortages and overages, 115, 704; for construction, 233; in clearing account, 704, and equipment, 176; temporary appropriations, 176n; reserved in sinking funds, 177, 178; held in miscellaneous reserves, 178; intended for investment in plant and equipment, 178; appropriated to reserve funds, 411; appropriated for dividends, 412; appropriated for construction, equipment, and betterments, 415; miscellaneous appropriations, 416.
- Suspense accounts; balances, 127, 175; for casualties and reconstruction, xxii, 609.
- System corporations; securities held as investment, 103; definition, 103n; accounts receivable from, 112; accounts payable to, 161.
- Taxes; embraced in debt expense, v; paid for specific service, xiv; accounting, xiv; paid by party not obligated, xiv; prepayment balance, xiv, 122; accrued liability, xiv, 167; assumed with land acquired, 205; levied during construction, 232; levied for improvements, xiv, 232n; assignable to operations, 305; non-operating, 324.
- Telegraph message revenues; of telegraph companies, 500-507; of cable companies, 510-513.
- Telephone companies; revenue debits for transmission service, 507; payments for business service, 507n; rent from wires leased to, 520; employees' services in joint offices, 631; commissions for collection service, xviii, 631.
- Test stations. (See Transmission offices.)
- Testing; terminal apparatus, 207, 220; portable apparatus, 228; pay and expenses of force, 606.
- Tickers; investment, 210.
- Time service; bills in advance, 165; revenue credits, 165, 524.
- Toll revenues (cable); at commercial rates, 510; at government rates, 510, 511; from press messages, 512; from other messages, 513; refunds, xvii, 634n.
- Toll revenues (telegraph); at commercial rates, 500, 501; at government rates, 500, 502; from press messages, 503; from money-transfer messages, 504; from other messages, 506; refunds, xvii, 634n.
- Tool expense; for construction in progress, 102; in clearing account, 703.
- Tools; unapplied, 115; used in shops, 225; used in stores, 226; valuable, 228; portable and of small value, vii, 228n, 703; repairs and depreciation in shops, 701; other repairs, depreciation, and losses, 703.
- Traffic damages expense, 634.
- Transfer agents' expenses, 653.
- Transmission offices; land, 205; buildings, 206; equipment for telegraph, 207-209; equipment for cable line, 220, 221; equipment repairs, 601; office repairs, 605; expense of operation, 621-631.

- Transmission revenues; telegraph, 500-507; cable, 510-513.
- Transportation charges; inclusion in cost of supplies, x, xx; inclusion in asset value of material, 115; inclusion in supply expense, 704.
- Trust funds without beneficial interest, 120n, 174n.
- Tubes. (See Pneumatic tubes.)
- Underground plant; telegraph, 214, 215; cable line, 222; repairs for telegraph, 603; repairs for cable line, 604.
- Uniforms of messengers; cost, 208; repairs, 623; rent receipts, 623.
- Valuation expense, 651.
- Vehicles; investment, 227; repairs and depreciation, 702.
- Vessels. (See Floating equipment.)
- Vouchers audited but unpaid, 159.
- Wages; audited but unpaid, 159; paid. (See Pay and expenses.)
- Wagons. (See Vehicles.)
- Wires (of cable lines); in offices, 220; aerial, 222; maintenance while leased, 311; repairs for offices, 601; repairs for land line, 604; interior patching, 606.
- Wires (of telegraph lines); in offices, 207; at messenger circuit terminals, 208; on subscribers' premises, 208, 210; aerial, 213; maintenance while leased, 311; repairs for offices, messenger circuit terminals, and subscribers' terminals, 601; repairs for aerial line, 602; interior patching, 606.
- Wireless message revenues, 500, 502-504.
- Working funds asset balances, 108.

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